President
of the Treasury Board

Président
du Conseil du Trésor

1994 Annual Report to Parliament

Crown Corporations and Other Corporate Interests of Canada

Canada

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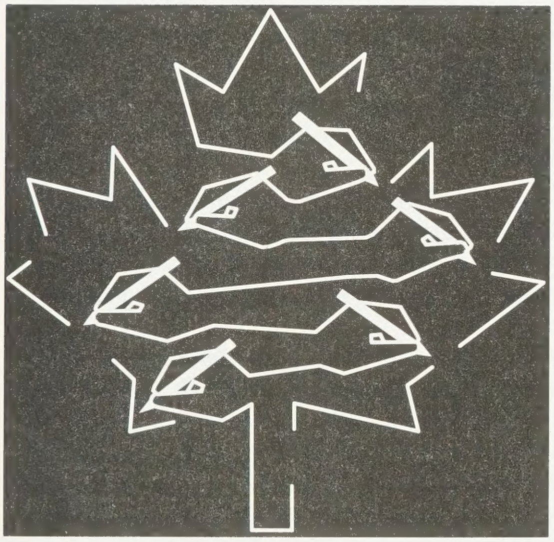

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Canada

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Une version française est également disponible

President
of the Treasury Board

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Ottawa, Canada K1A 0R5

It is with pleasure that I table the ***1994 Annual Report to Parliament on Crown Corporations and Other Corporate Interests of Canada.***

This *Annual Report to Parliament* is the principal means by which the government informs Canadians about its corporate holdings. It presents comprehensive information on the mandate, performance and financial data for all parent Crown corporations and their wholly-owned subsidiaries. Information is also presented on the other corporate interests of Canada, such as entities owned jointly with another level of government or the private sector, membership interests, and international organizations.

During 1993-94 the Crown corporation portfolio demonstrated continued productivity gains. The major indicators of performance showed improvements, including: reduced levels of funding from government, significantly lower losses being reported and further reductions in employment levels. Initiatives were undertaken to streamline regulations, to improve corporate governance, to encourage better reporting to Parliament and to ensure restraint.

I think that the majority of federal Crown corporations meet the public's expectations with respect to good corporate citizenship. But these expectations continue to increase, and performance no longer simply means delivering a necessary product or service, and, where expected, producing an operating profit -- but also meeting a spectrum of additional demands.

With these influences in mind, in December 1993, the Prime Minister asked Gérard Veilleux, past president of the Canadian Broadcasting Corporation to undertake a study of the appointment process in Crown corporations. Mr. Veilleux addresses a number of these important issues in his paper "*Unfinished Business: A Report on the Appointment Process to Boards of Directors of Crown Corporations.*" This Report was released in July 1994 by the Honourable Marcel Massé in the context of an ongoing review of federal boards, agencies and commissions. As a result, the government is proposing legislation to reduce the size of the boards of directors of several Crown corporations.

Effective corporate governance of the corporations is not only important in its own right, but is in the interests of all Canadians. Mindful of the importance of corporate governance for our Crown corporations, I hosted a Conference on *Corporate Governance: Improving the Effectiveness of Crown Corporation Boards",* in Ottawa, on October 6, 1994.

Canada

I think the Conference was an important step in strengthening the quality of the boards of directors of Crown corporations and promoting a better understanding of their roles and responsibilities. I view this initiative as an integral contribution to the government's commitment to enhance the confidence of Canadians in public institutions.

By working together with Crown corporations, we will ensure that they will continue to play an important role in public life, not only by delivering key goods and services, but through their important contributions to the economic, social and cultural fabric of Canada.

Arthur C. Eggleton

December 12, 1994
Ottawa, Canada

1994 Annual Report to Parliament
CROWN CORPORATIONS AND
OTHER CORPORATE INTERESTS OF CANADA

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CROWN CORPORATIONS AND OTHER CORPORATE INTERESTS OF CANADA

Introduction

The President of the Treasury Board's Annual Report to Parliament on Crown Corporations and Other Corporate Interests of Canada summarizes the businesses and activities of all parent Crown corporations and the other corporate interests of the Government of Canada. The Report comprises a number of sections plus an Annex:

- **Overview of the Portfolio** presents an overview of the parent Crown Corporation portfolio, identifying the industry sector within which each Crown corporation operates. It discusses major events and trends affecting Crown corporations and the other corporate interests of the government since the previous Report. It also describes how government policies affect Crown corporations. Significant developments in selected parent Crown corporations are highlighted, grouped by sectors of the economy. As well, significant developments in other corporate interests are provided.

- **Corporate Abstracts** provide information on the mandate, historical background, corporate highlights, performance and financial position of each Crown corporation.

- **Summary Financial and Employment Information on Crown Corporations** presents consolidated financial and employment information in three summary tables.

- **Corporate Listings** is organized into a listing of parent Crown corporations and their corporate holdings. It is followed by a listing of the other corporate interests of Canada, and provides supplementary information about them.

- **Report on Tablings in Parliament** presents a record of the tablings in Parliament by Ministers of annual reports and corporate plan and budget summaries for each parent Crown corporation.

- The **Annex** contains the audited financial statements for each parent Crown corporation.

This **Annual Report to Parliament on Crown Corporations and Other Corporate Interests of Canada** is prepared under the direction of the President of the Treasury Board by the Crown Corporations Directorate of the Department of Finance and Treasury Board Secretariat. It responds to requirements of the *Financial Administration Act* (FAA) (Sections 151(1) and 152(1)) that the following documents be tabled in Parliament annually:

- a consolidated report on the businesses and activities of parent Crown corporations, including information on all Crown corporations and other corporate interests of Canada; and

- a report indicating when annual reports and corporate plan and budget summaries were to be laid before each House (for the twelve-month period ending on July 31), and when they were actually laid before that House.

Overview of the Portfolio

OVERVIEW OF THE PORTFOLIO

The corporate holdings of the Government of Canada include 48 parent Crown corporations charged with carrying out public policy mandates in many sectors of Canadian society.

Chart A groups the parent Crown corporations according to sectors of the economy: agriculture and fisheries; culture; development and construction; energy and resources; financial intermediaries; government services; housing; postal services; and transport.

In aggregate, excluding the Bank of Canada, Crown corporations had total assets of $56.6 billion concentrated primarily in the housing and the financial intermediaries sectors. Total employment stood at 115,096 and was concentrated in the transport and postal services sectors.

The portfolio of Crown corporations incurred total net losses of $57.2 million — a significant improvement from last year's total net loss of $1.6 billion. Government funding by way of budgetary appropriations was $4.6 billion — about 5% less than last year, and net borrowings from the government decreased by $1.4 billion to $14.2 billion.

In addition to Crown corporations, the Government of Canada has other corporate interests. Details of these holdings can be found in the Corporate Listings section of this Report.

CROWN CORPORATION PERFORMANCE

Important efficiency and productivity gains have been achieved in the Crown corporations portfolio last year and over the course of the last eight years.

The principal performance indicators of budgetary funding, outstanding debt obligations, profits, assets, and employment demonstrate these changes. The history of these indicators over the past eight years illustrate a trend of increasing efficiency and productivity.

Budgetary Appropriations from Canada

Chart B, Budgetary Appropriations, shows that budgetary funding for the portfolio over the last eight years has remained relatively stable. Measured in 1986-87 constant dollars, budgetary appropriations to Crown corporations have declined by 17% over the eight years. Twenty-six Crown corporations received budgetary appropriations in 1993-94 to cover operational and capital expenditures compared to thirty-five Crown corporations in 1992-93.

There was an anomalous payment in 1991-92 of $704 million to The Canadian Wheat Board (CWB) caused by an unanticipated sharp decline in the export prices for wheat and barley.

Budgetary funding has remained relatively stable, over the last eight years.

Chart A **PORTFOLIO OF PARENT CROWN CORPORATIONS GROUPED BY SECTOR**

Agriculture and Fisheries

Assets: $8.8b *Employment: 545*

- Canadian Dairy Commission
- Canadian Saltfish Corporation
- The Canadian Wheat Board
- Freshwater Fish Marketing Corporation

Cultural

Assets: $1.9b *Employment: 11,055*

- Canada Council
- Canadian Broadcasting Corporation
- Canadian Film Development Corporation
- Canadian Museum of Civilization
- Canadian Museum of Nature
- National Arts Centre Corporation
- National Gallery of Canada
- National Museum of Science and Technology

Development and Construction

Assets: $0.4b *Employment: 1,115*

- Canada Lands Company Limited
- Defence Construction (1951) Limited
- National Capital Commission
- Old Port of Montreal Corporation Inc.*
- Queens Quay West Land Corporation

Energy and Resources

Assets: $1.8b *Employment: 6,566*

- Atomic Energy of Canada Limited
- Cape Breton Development Corporation
- Petro-Canada Limited

Financial Intermediaries

Assets: $18.3b *Employment: 2,390*

- Canada Deposit Insurance Corporation
- Enterprise Cape Breton Corporation
- Export Development Corporation
- Farm Credit Corporation
- Federal Business Development Bank

Government Services

Assets: $29.7b *Employment: 2,849*

- Bank of Canada
- Canada Development Investment Corporation
- Canadian Commercial Corporation
- Royal Canadian Mint
- Standards Council of Canada

Housing

Assets: $11.9b *Employment: 2,975*

- Canada Mortgage and Housing Corporation

Postal Services

Assets: $2.6b *Employment: 43,699*

- Canada Post Corporation

Transport

Assets: $10.1b *Employment: 43,565*

- Canadian National Railway Company
- Marine Atlantic Inc.
- Pilotage Authorities (four)
- Ports Canada (eight)
- The St. Lawrence Seaway Authority
- VIA Rail Canada Inc.

Other

Assets: $0.04b *Employment: 337*

- International Development Research Centre

At the Corporate year-ends, on or before July 31, 1994; b = $billions

Reference: Table 1, Employment and Financial Position for Crown Corporations Grouped by Sector , page 124

* The Old Port of Montreal Corporation Inc. is a wholly-owned subsidiary of the Canada Lands Comapny Limited but reports as a parent Crown corporation pursuant to section 86(2) of the *FAA*.

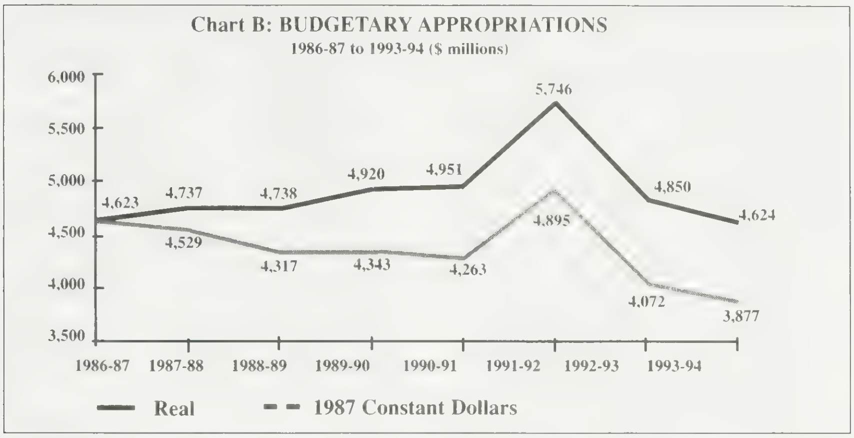
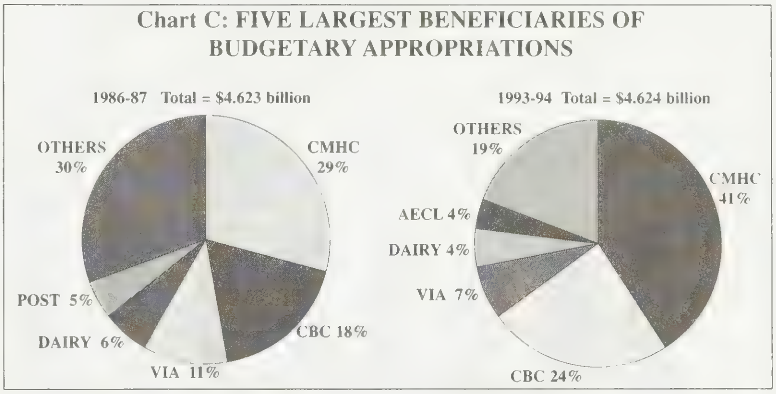
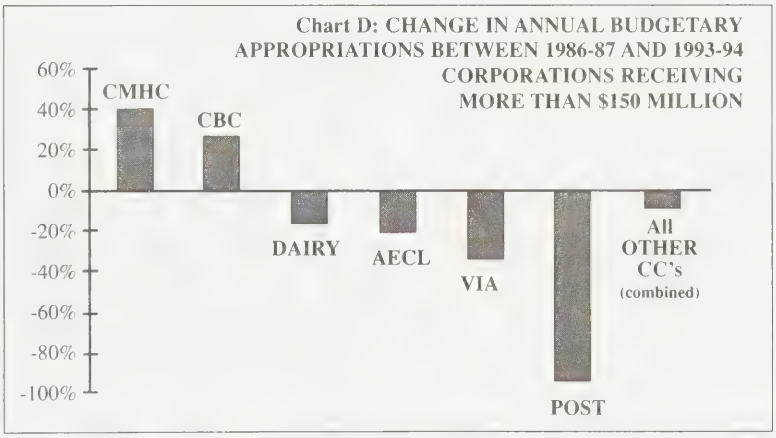


Chart C shows the five largest beneficiaries of budgetary appropriations in 1986-87 and 1993-94. The top five received 70% in 1986-87 and 81% in 1993-94 of the total appropriations to Crown corporations.



Of these five corporations, two corporations, the Canada Mortgage and Housing Corporation (CMHC) and the Canadian Broadcasting Corporation (CBC), accounted for 65% or $2.9 billion of the $4.6 billion in appropriations to Crown corporations in 1993-94.

Chart D presents the percentage of change between 1986-87 and 1993-94 of annual budgetary appropriations to Crown corporations receiving in excess of $150 million in either 1986-87 or 1993-94.



The most significant decreases have occurred in Canada Post Corporation (POST) where budgetary appropriations have decreased 94% from $232 million to $14 million, and VIA Rail Canada Inc. (VIA) which decreased 34% from $506 million to $335 million. The social housing programs of Canada Mortgage and Housing Corporation (CMHC) increased by $545 million or 40%. Budgetary funding for the Canadian Broadcasting Corporation (CBC) increased by $235 million or 27%.

Debt from the private sector has increased 55% since 1988-89.

Debt Obligations

Over the last eight years, the total debt obligations of Crown corporations, excluding the Bank of Canada and Petro-Canada Limited, have ranged from $30.3 billion to $38.2 billion.

Chart E illustrates that while total debt obligations have remained relatively constant throughout the eight years, borrowings from the private sector have increased by 55% from $15.4 billion in 1988-89 to $24.0 billion in 1993-94.

Chart F shows that seven corporations account for 95% of the total debt obligations. Borrowings of the four corporations in the financial intermediaries sector: the Export Development Corporation (EDC), the Farm Credit Corporation (FCC), the Canada Deposit Insurance Corporation (DEPOSIT), and the Federal Business Development Bank (FBDB) amount to $16.9 billion or 44% of the $38.2 billion in outstanding debt.

Chart E: TOTAL DEBT OBLIGATIONS OF CROWN CORPORATIONS 1986-87 TO 1993 - 94 ($ in billions)

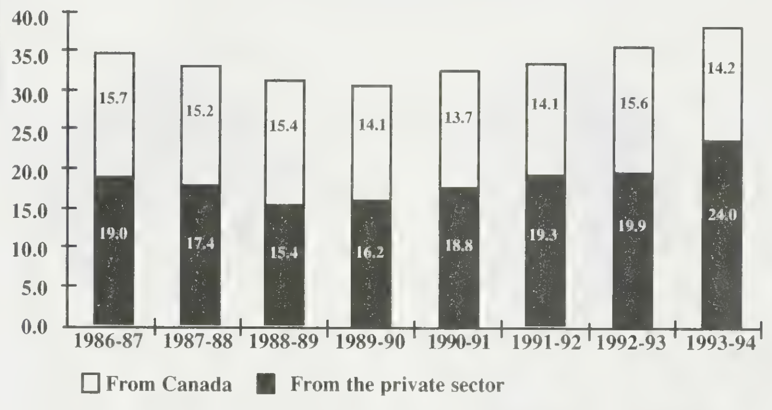
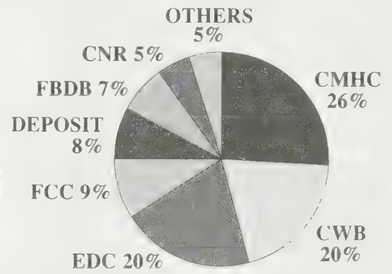


Chart F: CROWN CORPORATIONS DEBT OBLIGATIONS - LARGEST SEVEN 1993-94 Total $38.2 billion



The total debt obligations of Crown corporations increased by 7.6% or $2.7 billion in 1993-94 over 1992-93. This increase is primarily caused by increases in debt obligations of $1.1 billion by the Canada Mortgage and Housing Corporation (CMHC), $1.1 billion by the Export Development Corporation (EDC), and $1.1 billion by the Canadian Wheat Board (CWB), offset by the repayment of $538 million by the Canada Deposit Insurance Corporation (DEPOSIT).

Profits and Losses

The total losses of the Crown corporation portfolio decreased from $1,628 million in 1992-93 to $57.2 million in 1993-94. This significant decrease is primarily attributable to three corporations. The Canadian National Railway Company (CNR) reported a net loss of $79.0 million in 1993-94 compared to $1,005.2 million last year. The Canada Deposit Insurance Corporation (DEPOSIT) reported a net income of $3.0 million compared to a net loss of $860.7 million in 1992-93. The Canadian Wheat Board (CWB) reported a net income of $892.5 million this year compared to $678.3 million in 1992-93.

These improvements were partially offset by a deterioration in three other corporations. Canada Post Corporation (POST) reported a net loss of $270.4 million compared to a net income of $25.6 million last year. Atomic Energy of Canada Ltd. (AECL) reported a net loss of $138.7 million compared to a net income of $10.1 million in 1992-93. The Canadian Broadcasting Corporation (CBC) reported a net loss of $152.4 million compared to $76.4 million in 1992-93.

Assets

The total assets of Crown corporations increased by 6% or $3.3 billion from $56.6 billion in 1992-93 to $56.3 billion in 1993-94. This increase is mainly attributable to the Canada Mortgage and Housing Corporation (CMHC), The Canadian Wheat Board (CWB), and the Export Development Corporation (EDC). Table 1 "Employment and Financial Position: Grouped by Sector" in the Summary of Financial and Employment Information section, shows total assets for each Crown corporation.

Government of Canada Investment

Canada's recorded financial investments and loans to Crown corporations as at March 31, 1994 were $19.2 billion (before an allowance for valuation of $6.5 billion) compared to $19.5 billion in 1992-93.

Over the last eight years, this investment decreased by $6.1 billion primarily due to the privatization of Petro-Canada and the reduction in loans by the government. Table 3 "Comparison of Financial Position and Recorded Investment of Government for Crown Corporations: Grouped by Consolidation Status", in the Summary of Financial and Employment Information section, compares the financial position of each Crown corporation with the recorded investment of the Government of Canada.

Employment

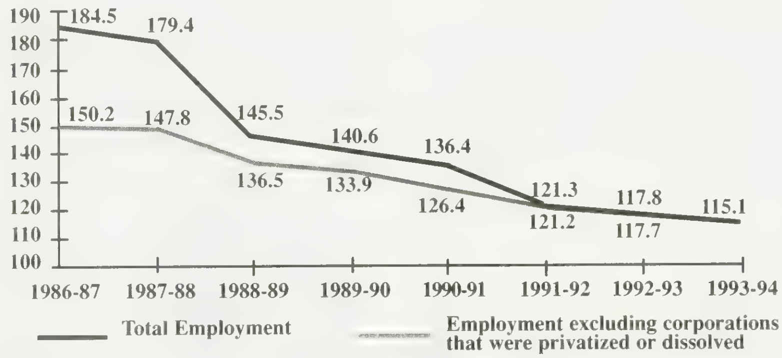
Further productivity and efficiency gains were achieved during 1993-94. Full-time employment by Crown corporations declined by 2.3% from 117,751 in 1992-93 to 115,096 in 1993-94.

Chart G shows that over the last eight years total Crown corporation full-time employment has declined by 69,341 since 1986-87. Of this decline, 34,166 is attributable to privatizations or dissolutions.

Excluding corporations that were privatized or dissolved since 1986-87, the productivity gains and rationalizations in existing corporations achieved a 35,175 person decrease or a 23% decline in employment.

The total losses of the Crown corporation portfolio decreased from $1,628 million in 1992-93 to $57.2 million in 1993-94.

Chart G: EMPLOYMENT IN CROWN CORPORATIONS
1986-87 to 1993-94
(in thousands of employees)



Five corporations account for 84% of total full-time employment by Crown corporations.

Chart H shows that five corporations account for 84% of total full-time employment by Crown corporations: Canada Post Corporation (POST) with 43,699 employees; the Canadian National Railway Company (CNR) with 34,707 employees; the Canadian Broadcasting Corporation (CBC) with 9,117 employees; VIA Rail Canada Inc. with 4,368 employees; and Atomic Energy of Canada Ltd. (AECL) with 4,287 employees.

Chart H: FIVE LARGEST EMPLOYERS 1993-94
Total 115.1 thousand

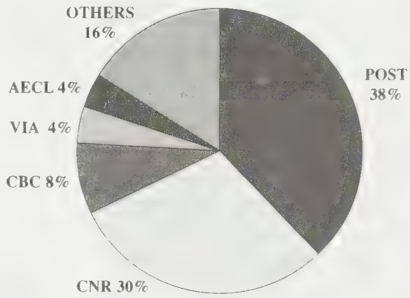
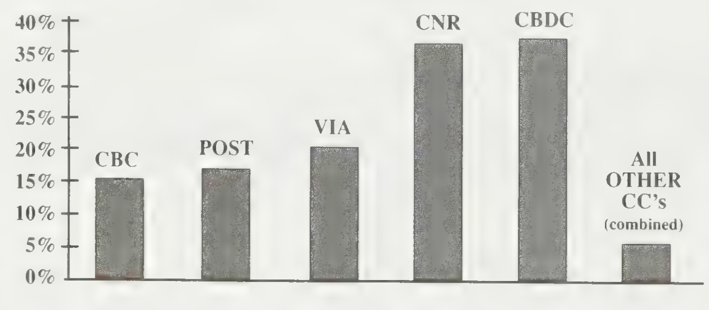


Chart I illustrates the percentage of decline in employment relative to 1986-87 levels in Crown corporations which employ more than 3,000 persons. The largest decreases in terms of number of employees have taken place in the Canadian National Railway Company, a decrease of 20,041 employees (37%); Canada Post Corporation, a decrease of 9,061 employees (17%); the Canadian Broadcasting Corporation a decrease of 1,661 employees (15%); the Cape Breton Development Corporation a decrease of 1,383 (38%); and VIA Rail Canada Inc., a decrease of 1,383 employees (20%).

Chart I: PERCENTAGE DECLINE IN EMPLOYMENT
1986-87 to 1993-94



in CC's employing more than 3,000 persons

CORPORATE HIGHLIGHTS BY SECTOR

Significant developments in the Crown corporation portfolio during 1993-94 are highlighted. The parent Crown corporations have been grouped according to the sectors of the economy portrayed in Chart A. More complete information is contained in the Corporate Abstracts section of this Report and in the annual reports of each Crown corporation.

Agriculture and Fisheries Sector

This sector comprises four corporations: the Canadian Dairy Commission, the Canadian Saltfish Corporation, The Canadian Wheat Board and the Freshwater Fish Marketing Corporation.

The government subsidy program to dairy producers, administered by the **Canadian Dairy Commission**, is being reduced by a total of 20% over a four-year period which commenced in August 1993. When fully implemented, the subsidy reduction will approximate $50 million per year. There has been a continued decline in the domestic requirements on butter-fat coupled with increased requirements for non-fat solids. These factors have significantly reduced the surplus skim milk powder available for export. As the result of lower export sales of surplus products, the levy on producers in support of this program in 1992-93 was $137 million compared to $219 million in 1991-92.

The government announced in May 1994 that steps were being initiated to dissolve the **Canadian Saltfish Corporation**.

Severe weather conditions during the growing and harvesting season resulted in 45% of the 1992 wheat crop being downgraded to animal feed grain quality. Fortunately, sizable carryover stocks from the previous year enabled **The Canadian Wheat Board** to meet the high-grade, high-protein wheat requirements of all of its traditional customers.

Cultural Sector

The cultural sector represents a significant portion of the Crown corporation portfolio with eight of the 48 parent Crown corporations: Canada Council, Canadian Broadcasting Corporation, Canadian Film Development Corporation, Canadian Museum of Civilization, Canadian Museum of Nature, National Arts Centre Corporation, National Gallery of Canada, and National Museum of Science and Technology.

Crown corporations in this sector have a total of 11,075 employees which represent 9.6% of the total employment in Crown corporations. The cultural Crown corporations received $1.4 billion of appropriations from the government which represents 29% of the total appropriations paid to Crown corporations.

In the last four years the number of employees has declined by 13.3% and appropriation funding has increased marginally by 1.5%. The largest Crown corporation in the cultural sector is Canadian Broadcasting Corporation.

Canadian Broadcasting Corporation (CBC) — In February 1994, the government announced that it would delay, by one year, funding reductions of $100 million directed at the CBC. Parliament also provided the Corporation with authority to borrow money under specified circumstances. During 1993-94 the CBC reduced its number of employees by 2.4% from 9,337 to 9,117.

Canadian Film Development Corporation (Telefilm) In 1993-94, Telefilm gave priority to financing production and development projects. The Corporation provided overall assistance of $106.3 million compared with $100.4 million in 1992-93. Since 1983 the Corporation has contributed approximately $650 million to Telefilm-sponsored productions having a total production cost of $2.0 billion.

The cultural sector represents a significant portion of the Crown corporation portfolio.

Development and Construction Sector

There are 1,115 employees working in this sector in five corporations with assets totalling $0.4 billion.

Canada Lands Company Limited is a non-operating corporation. Of its three subsidiaries, only the **Old Port of Montreal Corporation Inc.**, is active. An objective of the Old Port of Montreal is to attain operational self-sufficiency by 1997-98. The government intends to fund only those projects at the port essential for public safety and security.

It is anticipated that the affairs of **Queens Quay West Land Corporation** which operates the harbourfront site in Toronto will be wound down by June 1995.

To reduce its reliance on appropriations, the **National Capital Commission** has turned to other levels of government, the private sector and, users of its services to generate revenues in support of its programs.

Energy and Resources Sector

The Atomic Energy of Canada Limited, Cape Breton Development Corporation

In 1993-94, the three major lending Crown corporations significantly increased their financing activities.

and Petro-Canada Limited comprise this sector, with assets of $1.8 billion and 6,566 full-time employees.

Atomic Energy of Canada Limited — AECL continues to market its CANDU technology worldwide. It is negotiating a second CANDU 6 project with Turkey. A program is being developed to complete the outstanding 75% of the second CANDU unit in Romania. A major heavy water sale was concluded with the Republic of Korea in December 1993. AECL and the China National Nuclear Corporation signed letters of intent on November 8, 1994 to build two CANDU 6 reactors in China.

During 1993 a permanent subcommittee of AECL's Board of Directors was established to review environmental management systems and approve and monitor AECL's environmental plan. During the past year, AECL successfully completed the decommissioning of its former radioisotope facility in Ottawa, following 30 years of operation.

Cape Breton Development Corporation (DEVCO) — In 1992, DEVCO conducted its first environmental audit. Since then it has implemented, or is in the process of addressing, 97% of the audit's recommendations. Work has also begun on a corporate environmental management system. DEVCO's goal is financial self-sufficiency by 1995. In 1993-94, the Corporation's operating income was $10.7 million, the highest level reached to date.

Financial Intermediaries Sector

Five Crown corporations are categorized as operating in this sector. These are: the Canada Deposit Insurance Corporation, Enterprise Cape Breton Corporation, the Export Development Corporation, the Farm Credit Corporation, and the Federal Business Development Bank.

In 1993-94, the three major lending Crown corporations significantly increased their financing activities, lending a total of $4.4 billion. **Export Development Corporation**'s (EDC) loans to finance exports totalled $3.2 billion, an increase of 53%; **Farm Credit Corporation** (FCC) lending in support of the farming sector totalled $512 million, an increase of 85%; and **Federal Business Development Bank**'s (FBDB) new financing of businesses totalled $715 million, an increase of 11%. In addition, EDC provided export insurance of $8.6 billion, an increase of 30%.

Canada Deposit Insurance Corporation, which provides insurance for deposits, increased its premium rates to member institutions in 1993 and in 1994 with the objective of eliminating its accumulated deficit position of $1.65 billion within the next five years.

In addition to Crown corporations categorized in the financial intermediaries sector, **Canada Mortgage and Housing Corporation** (CMHC) received capital market borrowing authority in 1993 and now provides, at lower interest costs, direct financing to social housing projects previously funded by private sector financial institutions. This direct lending program is now being financed by a capital market borrowing of $1.3 billion.

Government Services

This sector comprises five corporations: the Bank of Canada, Canada Development Investment Corporation, Canadian Commercial Corporation, the Royal Canadian Mint and the Standards Council of Canada. Assets total $29.7 billion and 2,849 people are employed full-time in these corporations.

Canada Development Investment Corporation — CDIC disposed of its investment in Co-enerco Resources Ltd. As well, CDIC's 51% interest in Ginn Publishing Canada Inc. was sold to Paramount Communications Inc. Proceeds of approximately $84 million were realized.

Canadian Commercial Corporation — has refocussed its efforts to exploit new export opportunities resulting from the ratification of the North American Free Trade Agreement (NAFTA) and the rapid economic growth of the Asia/Pacific region. New orders received during the year totalled $882 million, a 13% increase over the previous year. A significant portion of these orders ($332 million) was for international markets other than the United States.

The **Royal Canadian Mint** reported income before tax of $7.1 million exceeding its corporate plan target of $6.2 million. The Mint declared and paid a dividend of $6.3 million.

The **Standards Council of Canada** continued to make progress in its objective of full cost recovery. The corporation recovered 53% of operating expenses through accreditation fees, up from 42% in 1992-93.

Housing Sector

Canada Mortgage and Housing Corporation — For Canada's housing markets 1993 had fewer housing starts, but dropping interest rates made housing more affordable. In 1993 CMHC's Mortgage Loan Insurance Program helped a record 296,000 home purchases. Approximately 78,000 of these purchases were made possible through the First Home Loan Insurance Initiative where the minimum down payment requirement for first time buyers is 5%. During 1993 the Corporation received the largest appropriation, $1.9 billion, representing 41% of the $4.6 billion in government appropriations to Crown corporations. The April 1993 Budget capped funding for social housing at $2 billion per year. CMHC expects to increase its direct loans and investments in social housing by approximately $12 billion over the next five years.

Postal Services Sector

Canada Post Corporation had the most employees of all Crown corporations, with 43,699 full-time employees. The Corporation reported a net loss of $270 million, including a non-recurring restructuring charge of $223 million in 1993-94, compared to a net profit of $26 million in 1992-93.

Transport Sector

The transport sector represents the largest number — 16 of the 48 — corporations in the portfolio, including the ports, pilotage authorities and the Canadian rail system.

Pilotage Authorities — Of the four pilotage authorities — Atlantic, Great Lakes, Laurentian, and Pacific — only the Great Lakes Pilotage Authority experienced an increase in pilotage assignments. The others continued to suffer from lower traffic volumes in 1993. Both the Atlantic and Laurentian authorities had losses for the fifth year in a row. The Great Lakes authority broke-even in 1993 and the Pacific Authority had a reduced profit from 1992.

During the last year the National Transportation Agency turned down, or only partially approved, proposed tariff increases by three of the authorities. The Pacific Authority did not request tariff increases.

The transport sector represents the largest number of corporations in the portfolio.

The St. Lawrence Seaway Authority — The Seaway Authority's financial position improved in 1993-94. The Authority reduced its loss from $9.0 million in 1992-93 to $4.0 million in 1993-94. Tonnage on the Montreal-Lake Ontario section and on the Welland Canal levelled off at approximately 32 million tonnes.

Marine Atlantic Inc. provides marine ferry services to Atlantic Canada. The construction of a bridge linking Prince Edward Island and New Brunswick will ultimately mean a significant decrease in the Corporation's passenger base and require a dramatic adjustment in the overall structure of the company.

Canada Ports — The 15 system ports account for about one half of all the water-borne tonnage in Canada. Revenue from operations for Ports Canada was $213 million in 1993, a slight decrease from $218 million in 1992. Despite improvements in container and coal traffic, Ports Canada handled lower volumes of grain and petroleum products in 1993 as a result of the worldwide economic downtrend. Ports Canada recorded a net income of $29 million in 1993 compared to $41 million in 1992. The decrease primarily reflects both lower traffic and higher operating expenses. In March 1993, the Port of Vancouver was given the responsibility for Canada Harbour Place Corporation, an acquisition representing $61 million in additional assets.

Canadian National Railway Company (CNR) — In 1993-94 CNR reported a net loss of $79 million. Given that the eastern portion of its rail operations had lost approximately $1.1 billion over five years to 1992, CNR focussed on rationalizing the railway systems in eastern Canada. As a result of a 1993 restructuring of its rail operations, 10,000 employees are scheduled for lay-off.

On September 21, 1994 Canadian Pacific Limited submitted an offer of $1.4 billion to purchase CNR's eastern rail operations. The offer expires on December 21, 1994. The Minister of Transport has established a committee of Members of Parliament to examine CNR's commercialization options, including possible employee participation. The committee is scheduled to report before the end of 1994.

On October 28, 1994 CNR announced its intention to solicit offers for CN Exploration, a wholly-owned subsidiary which manages the Corporation's oil and gas assets. CNR also entered into an agreement in principle in August 1994 with Fonorola Inc. to develop CNR's fibre optics assets through a limited partnership.

VIA Rail Canada Inc.'s budgetary appropriations decreased 12% from $376 million to $335 million in 1993-94. Major management reorganizations announced in 1993 and 1994 will result in the elimination of 50% of VIA's administrative positions by the end of 1994 and are expected to provide ongoing savings of $32 million annually.

Other

International Development Research Centre's 1993-94 budgetary appropriations of $115 million were subsequently increased by $27 million for special research projects for a total of $142 million.

SIGNIFICANT DEVELOPMENTS IN OTHER CORPORATE INTERESTS OF CANADA

Cameco Corporation — Following earlier sales in 1992 and 1993, the

government sold an additional 2 million shares of Cameco Corporation in September 1994 for $49 million. The government's remaining interest of 3 million shares representing 5.7% of Cameco Corporation's total shares, is held through Canada Eldor Company, a wholly-owned subsidiary of Canada Development Investment Corporation.

Canarctic Shipping Company Limited — In June 1993, Canarctic assumed ownership of its principal operating vessel, the M.V. *Arctic*, which it previously leased. The acquisition was financed by a loan for US$7.5 million repayable in June 1995. Government support for Canarctic in 1993 was $2.6 million, down from $8.1 million in 1992.

Hibernia Management and Development Corporation Ltd. was formed in 1990 to build and operate the infrastructure required to exploit the 600 million-barrel Hibernia oil field located 300 kilometres east-south-east of Newfoundland. The government has a combined 26% interest in this project. It holds 8.5% through its ownership of Canada Hibernia Holding Corporation with the balance through the government's 70% holding of Petro-Canada, which has a 25% equity interest. The government has additionally agreed to provide $1.0 billion in grants and to guarantee a maximum of $1.8 billion of the borrowing to finance the currently estimated $6.4 billion investment necessary to bring the project into production. The first major milestone of moving the 120,000 tonne concrete base to its deep water assembly point was successfully completed in November 1994. Oil production is expected to commence in 1997.

Petro-Canada — In 1993, Canada received $22 million in dividends on its 70% equity investment in Petro-Canada. Canada's ownership is represented by 173 million of the Corporation's 246 million shares. During 1993, the publicly traded shares ranged in price from $7.25 to $14.00 per share. The Corporation's 1993 operating earnings totalled $162 million on revenues of $4.6 billion compared to $109 million on revenues of $4.7 billion in 1992. Key factors in improved results were higher refining and marketing margins coupled with higher natural gas prices and production volumes. Canada's ownership interest in Petro-Canada is currently managed by the Canada Development Investment Corporation.

GOVERNMENT POLICIES AND CROWN CORPORATIONS

Increasing globalization of trade and the recession have pressured both private sector and Crown corporations to be more competitive and efficient. For Crown corporations this challenge is further complicated by their need to achieve the public policy objectives in their statutory mandates, and to be sensitive to the government's broader public policy objectives such as wage restraint, official languages, employment equity and the government's procurement obligations under trade liberalization.

The government has entrusted the boards of directors and management of Crown corporations with a high degree of autonomy to manage the business affairs of these corporations. In delegating this authority and responsibility, the government recognizes that Crown corporations serve the public interest in a commercial environment. They are expected to use the best available private sector business practices and, to the

In 1993, Canada received $22 million in dividends on its 70% equity investment in Petro-Canada.

Crown corporations need to achieve the public policy objectives in their statutory mandates.

In recognition of the importance of boards of directors to Crown corporations, the government undertook three major initiatives.

extent practical, are to be treated in the same manner as private sector firms.

Regulatory Review

Since 1984, most Crown corporations operate within the accountability framework established under Part X of the *Financial Administration Act* (FAA). Four sets of regulations have been issued to supplement the legislation:

- General Regulations;
- Borrowing Regulations;
- Corporate Plan and Budget Regulations; and
- Corporate Plan and Budget Summaries Regulations

In 1993, as part of the government's decision to review the usefulness of all existing regulations, the Crown corporation regulatory regime was reviewed. Consultations were held with officials in Crown corporations, the Treasury Board Secretariat, the Department of Finance, the Privy Council Office and the Office of the Auditor General. These consultations led to the proposals to streamline the current Part X regulatory regime.

- limiting the scope of existing regulatory requirements;
- correcting any inconsistency between the legislation and regulations which had been noted by the Joint House of Commons and Senate Committee for the Scrutiny of Regulations;
- pursing more extensively the approach of issuing administrative guidelines rather than formal regulations; and
- formulating a series of guiding principles to clarify the intent of Part X of the FAA with respect to the government's management regime for federal Crown corporations.

Improving Corporate Governance

In recognition of the importance of boards of directors to Crown corporations, the government followed up on last year's publication of *Directors of Crown Corporations: An Introductory Guide to Their Roles and Responsibilities*, with three major initiatives.

The first initiative was a study of the appointment process in Crown corporations undertaken by Gérard Veilleux, past president of the CBC. His report *"Unfinished Business: A Report on the Appointment Process to Boards of Directors of Crown Corporations"*, released in July 1994 by the Honourable Marcel Massé, studied the structure of boards of Crown corporations and recommended an approach to bring more objectivity and transparency to the appointment process for selecting directors. The recommendations include the responsibility of the board of directors to develop "job profiles" as a basis for selection criteria in the appointment of new directors.
Mr. Veilleux also recommended a review of the size of boards of directors in Crown corporations.

This issue is being addressed through a second initiative - an agency review being conducted by the Honourable Marcel Massé. The government has undertaken a review of Crown corporations as well as numerous other agencies, boards and commissions which represent a significant portion of the federal presence in the structure of the government in the country. The purpose of the review is to examine the continued

and the compensation levels of Governor-in-Council appointees. The initiative follows the government's election commitment to simplify public sector structures and streamline operations wherever possible.

Legislation is forthcoming to reduce the size of the boards of directors of the Canadian Broadcasting Corporation, the Canada Council, the Canadian Museum of Civilization, the Canadian Museum of Nature, the National Gallery of Canada, the National Museum of Science and Technology, the National Arts Centre Corporation, the National Capital Commission, the Canada Development Investment Corporation and Petro-Canada Limited. The July announcement resulted in the elimination of a total of 96 Governor-in-Council appointments, including some for other boards and agencies.

The third initiative involved seeking informal advice from the chairpersons and chief executive officers of the Crown corporations. To do this, the President of the Treasury Board hosted a *Conference on Corporate Governance: Improving the Effectiveness of Crown Corporation Boards* in Ottawa, on October 6, 1994.

The Conference provided a forum for Crown corporation chairpersons and chief executive officers to meet with their peers, experts and senior government officials to exchange views on issues of common interest in the area of corporate governance of Crown corporations. Discussions focussed on responses to recently released reports in both the private and public sectors on the subject of corporate governance as well as on concerns unique to Crown corporations. The aim was both to inform and solicit suggestions from participants on how to improve the corporate governance of Crown corporations.

The themes of the Conference paralleled the four areas of responsibility attributed to boards of directors in the private sector found in the draft Report, *"Where Were the Directors?"*, of the Toronto Stock Exchange Committee on Corporate Governance in Canada chaired by Peter Dey. The Conference themes were: the development and approval of strategy; board composition and evaluation; balancing the corporate agenda with the public good; and, meeting the information needs of the board.

Proceedings of the Conference have been prepared.

The President hosted a Conference on Corporate Governance: Improving the Effectiveness of Crown Corporation Boards.

Reporting to Parliament

The *Financial Administration Act* requires each scheduled Crown corporation to submit an annual report and corporate plan and budget summaries for tabling in Parliament. A corporation's annual report, in addition to financial statements and the auditor's report, also presents information on how well corporate objectives were met during the reporting period. This 1994 Annual Report contains a section entitled, "Report on Tablings In Parliament" which provides a record of these tablings during the past year.

Excellence in Reporting

In 1994, the Auditor General of Canada introduced the Award for Excellence in Annual Reporting by Crown Corporations. The award recognizes those corporations that provided the best accountability information and is intended to act as an incentive to corporations to improve their annual reporting to Parliament.

Two groupings of Crown corporations were identified, based primarily on size. A panel of experts drawn from the public

In 1993-94 Crown corporations continued to comply with the spirit and intent of the government's wage restraint policy.

Free trade commitments have an impact on Crown corporations.

Two groupings of Crown corporations were identified, based primarily on size. A panel of experts drawn from the public and private sectors selected **Defence Construction (1951) Limited** and **Export Development Corporation** as the awards' first recipients. The awards were presented by the Auditor General, at the October Conference.

Free Trade Commitments

1993-94 proved to be significant in an era of freer trade and free trading blocs. The North American Free Trade Agreement (NAFTA) came into effect on January 1, 1994. The Uruguay Round of the General Agreement on Tariffs and Trade (GATT) concluded in 1994 with a commitment to freer trade between more than 120 countries. The Agreement on Internal Trade within Canada was signed in 1994 and will take effect in July 1995.

These trade commitments have an impact on Crown corporations. Eleven are subject to NAFTA, and are working to honour their obligations. Seven Crown corporations are included in GATT. All but six Crown corporations are included in the internal trade agreement.

The status of most federal Crown corporations in the Agreement on Internal Trade is noteworthy. The Agreement is unique in that its coverage includes a non-intervention category, where the government has agreed not to intervene in the practices of its enterprises. This recognition of the arm's length relationship of the federal government with its Crown corporations is a valuable precedent for international trade discussions.

In 1993-94, Crown corporations subject to the various trade agreements familiarized themselves with the obligations imposed and developed systems to report on their compliance with these agreements. In future years, their focus will likely shift to identifying and pursuing opportunities for business abroad as a result of a free trade environment.

Restraint Measures

In 1993-94 Crown corporations continued to comply with the spirit and intent of the government's wage restraint policy. Extended wage freeze measures were announced in the February 1994 budget, affecting all public sector employees for a further two years. In addition, annual pay increments within grade are being suspended for two years beginning in 1994-95. The coverage of the legislated freeze measures will be the same as that under the *Public Sector Compensation Act*, which now applies to 10 appropriation-dependent non-commercial Crown corporations.

Non-commercial Crown corporations such as the National Capital Commission are directly subject to the extended wage freeze. Appropriation dependent commercial Crown corporations will be funded as if their wages are frozen. All other Crown corporations such as Canada Post Corporation and the Bank of Canada are being asked to keep wage settlements in line with the government's wage restraint policy.

Corporate Abstracts

Corporate Abstracts

CORPORATE ABSTRACTS

INTRODUCTION

This section of the Annual Report provides information intended to assist readers in understanding the public policy mandate, the historical background, the major issues, and the performance and condition of each Crown corporation. Readers wishing to obtain further information about a particular corporation and its activities should contact the corporation at the address or telephone number provided.

Description of the Corporate Abstracts

Each corporate abstract contains the following information.

- **Mandate** — Describes the broad policy objectives that guide the direction of the corporation and underlie its creation and continued existence.

- **Background** — Provides a brief description of the main activities of each corporation.

- **Corporate Highlights** — Standard information on the corporation's performance are presented. Information has been obtained from the corporation's annual report and corporate plan summary.

- **Reference Sources** — This section identifies key individuals responsible for the management and accountability of the corporation, including the appropriate Minister, the Chairperson of the Board of Directors, the Chief Executive Officer and the external auditors and the head office of the corporation. It also shows how the corporation was incorporated and its current agency status.

- **Financial Summary** — This table provides five years of comparative financial information showing the corporation's financial position, its operational performance and the funding received from, and payments to, Canada. In addition, it presents a five-year employment history. The glossary of terms used is provided on the next page.

FINANCIAL SUMMARY TERMINOLOGY

FINANCIAL POSITION:

Total Assets: represents all assets reported by the corporation in its audited financial statements.

Loans from Private Sector: short-term borrowings, long-term borrowings, capital leases plus any other debt-like instrument. For the marketing boards (Canadian Dairy Commission, The Canadian Wheat Board, and Freshwater Fish Marketing Corporation), loans may include payments accruing to farmers, dairy producers and fishers.

Loans from Canada: short-term borrowings, long-term borrowings, advances from the Government of Canada for working capital or other purposes, and other debt-like instruments.

Shareholder's Equity: represents the equity of Canada. For some corporations, the excess of assets over liabilities is not deemed to be Equity of Canada because of the nature of their operations (i.e., marketing boards).

OPERATIONS:

Revenues: includes revenues from all sources generated by the corporation. The amount includes income from commercial activities and interest income. It would also include income such as gain on sale of assets, and parliamentary appropriations where these are specifically included in revenues by the corporation.

Net Income (Loss): is after taxes, where applicable, and any extraordinary items. It includes parliamentary appropriations where the corporations have included these in the computation of Net Income (Loss). In some cases, Net Income (Loss) is the "Excess of parliamentary appropriations over cost of operations" or "Excess of Proceeds over Expenditures".

Cash Flow: is defined as Net Income (Loss) from operations plus or minus non-cash charges (or credits) to operations, for example, depreciation, amortization, gain on disposal of assets, write-down of properties, etc. Cash flow does not include changes in working capital items. It does include parliamentary appropriations where the corporation includes these in the computation of net income.

FUNDING FROM CANADA:

Budgetary (operating and capital expenditures): are parliamentary appropriations for capital and operating purposes. The amounts exclude grants and contributions paid to Crown corporations where they qualify as members of a general class of recipients. An example of such an exclusion is payments to the Canadian National Railway Company under the *Maritime Freight Rates Act*. Budgetary appropriations increase the expenditures of Canada and thus have a direct impact on the amount of the government's surplus or deficit.

Non-Budgetary (loans and investments): represents loans and ownership interests (i.e. contributed capital or share capital) invested by the Government of Canada during the year. These loans and investments do not have an impact on the government's expenditures as they are recorded as assets of Canada. At the end of the fiscal year (March 31), a general provision for valuation is taken in the accounts of Canada on the entire stock of loans and investments to reflect estimated realizable value.

PAYMENTS TO CANADA:

Loan Repayments: payments made during the year by the corporation to the Government of Canada on loans outstanding.

Dividends: are dividends declared by the corporation during the fiscal year of the corporation. This figure includes cash recoveries by Canada (where applicable), and other types of payments or contributions made to Canada. Dividends may be paid by the corporation to the Government of Canada before or after the corporation's year-end.

EMPLOYMENT:

Data in the Report relate to the number of full-time employees and are obtained from sources such as an annual report, financial statements or a corporate plan and are as at the fiscal year-end of the Crown corporation. The data includes the parent corporation and its wholly-owned subsidiaries; full-time staff, and employees outside of Canada. The exceptions are: data for the **Canada Development Investment Corporation** which relate to the parent corporation only; and data for the four **Pilotage Authorities** which include contract pilots.

ATLANTIC PILOTAGE AUTHORITY

MANDATE

To establish, operate, maintain and administer a safe and efficient pilotage service within designated waters in and around the Atlantic provinces.

BACKGROUND

Established in 1972, the Authority provides pilotage services to the Atlantic region. With the approval of the Governor in Council, it has the power to make regulations in order to meet its objectives. These regulations may prescribe the establishment of compulsory pilotage areas; the ship or classes of ships which are subject to compulsory pilotage; the circumstances under which compulsory pilotage may be waived; the tariffs or pilotage charges; and the classes of licences and classes of pilotage certificates that may be issued. The Authority is required to set fair and reasonable tariffs that ensure self-sustaining operations.

CORPORATE HIGHLIGHTS

The Corporation reported a net loss of $808,846 for 1993 due primarily to a downturn in overall demand for its services. Traffic decreased by 2% in 1993. Hampered by lower assignment numbers and the closing of the Come by Chance Refinery and the decline in fishing activity, the Authority is forecasting a further drop in assignments in 1995.

The National Transportation Agency (NTA) only partially approved the Authority's proposal for tariff increases in 1993. The Authority proposed on February 27, 1993, a two-tier tariff increase. The Authority has appealed to the NTA for full approval of the proposed increases. A large proportion of the areas the Authority serves has not experienced a tariff increase since May 1986.

ATLANTIC PILOTAGE AUTHORITY

Chairman and Chief Executive Officer:	**C.R. (Ted) Worthington**
Head Office:	**Purdy's Wharf** **Suite 1402, Tower 1** **1959 Upper Water Street** **Halifax, Nova Scotia, B3J 3N2** **(902) 426 - 2550** **Facsimile: (902) 426 - 4004**
Incorporation and Status:	**1972; pursuant to the *Pilotage Act* (R.S.C. 1985, c. P-14);** **Schedule III, Part I of the *Financial Administration Act*;** **Not an agent of Her Majesty.**
Appropriate Minister:	**The Honourable Douglas Young, P.C., M.P.** **Minister of Transport**
Auditor:	**Auditor General of Canada**

FINANCIAL SUMMARY ($ million) Financial year ending December 31.

	1993	1992	1991	1990	1989
Financial Position					
Total Assets	1.8	2.4	2.1	2.4	2.3
Loans from Private Sector	0.2	0.3	0.6	0.4	0.0
Loans from Canada	0.0	0.0	0.0	0.1	0.1
Shareholder's Equity	0.2	0.7	0.4	0.9	1.0
Operations					
Revenues	6.9	6.5	7.5	7.3	7.3
Net Income	(0.8)	(1.5)	(0.5)	(0.3)	0.0
Cash Flow	(0.6)	(1.2)	(0.3)	(0.1)	0.2
Funding from Canada					
Budgetary (operating & capital expenditures)	0.3	1.8	0.0	0.2	0.5
Non Budgetary (loans and investments)	0.0	0.0	0.0	0.0	0.0
Payments to Canada					
Loan Repayments	0.0	0.0	0.1	0.1	0.1
Dividends	0.0	0.0	0.0	0.0	0.0
Employment	77	75	74	77	75

ATOMIC ENERGY OF CANADA LIMITED

MANDATE

To undertake research into atomic energy and prepare and develop its commercial applications.

BACKGROUND

Founded in 1952, Atomic Energy of Canada Limited (AECL) develops CANDU power generating technology. It operates research and development laboratories at Chalk River, Ontario and at Pinawa, Manitoba, and its main engineering offices are in Mississauga, Ontario.

There are 32 CANDU reactors either in operation or under construction in Canada and three other countries. Its design and engineering teams contribute to the continued improvement and development of nuclear power stations and nuclear technology in general. The research and development performed by AECL underpins the entire Canadian nuclear industry's activities, which contributes significantly to Canada's annual GDP.

In August 1991, AECL signed a contract with the Romanian Electric Utility Company to provide technical and project assistance to complete the first Cernavoda CANDU 6 unit. In September 1992, AECL signed a contract with the Korea Electric Power Corporation related to the construction of two (Wolsong 3 & 4) 700 megawatt CANDU 6 nuclear-powered generating stations. This is in addition to the Wolsong 2 contract which was signed in December 1990.

CORPORATE HIGHLIGHTS

AECL products and services continue to be marketed world-wide. Turkey is the focus of efforts to negotiate a CANDU 6 project. An AECL team is developing a program for completion of the outstanding 75% of the second CANDU unit in Romania. AECL and the China National Nuclear Corporation signed letters of intent on November 8, 1994 for building two CANDU 6 reactors in China.

A major heavy water sale was concluded with the Republic of Korea in December 1993. In August 1993, a technical co-operation agreement was signed with the Korean Atomic Energy Research Institute to explore CANDU options for the Republic of Korea's nuclear power program, including the examination of a larger-sized CANDU.

In September 1993, AECL reached agreements setting out details in the Saskatchewan/AECL Memorandum of Understanding (MOU) signed in 1992. Three key elements are the launching of technical feasibility studies, the funding of a chair at the University of Saskatchewan and the establishment of a Saskatoon reactor design centre, with a current staff of 100.

During 1993 the AECL Board of Directors established an environmental committee to review environmental management systems and approve AECL's environmental plan. The former radioisotope facility at Tunney's Pasture in Ottawa was fully decommissioned following 30 years of operation and released to unrestricted use by the Atomic Energy Control Board. Other decommissioning activities continue at Whiteshell Laboratories and Chalk River on other out-of-service facilities.

The loss for the year of $139 million, compared to a budgeted profit of $7 million, resulted primarily from the termination of the Maple X-10 project and operating losses on the continued supply of isotopes under an existing contract ($75 million), and, the provision for restructuring costs expected to be incurred over the next two years ($59 million).

ATOMIC ENERGY OF CANADA LIMITED

Chairperson:	**Robert Nixon**
President and Chief Executive Officer:	**Reid Morden**
Head Office:	**Minto Place 18th Floor 344 Slater Street Ottawa, Ontario, K1A 0S4 (613) 237 - 3270 Facsimile: (613) 782 - 2061**
Incorporation and Status:	**February 14, 1952 under Part I of *Canada Corporations Act*; continued July 8, 1977 under the certificate amended July 15, 1982 *Canada Business Corporations Act*; Schedule III, Part I of the *Financial Administration Act*; An agent of Her Majesty.**
Appropriate Minister:	**The Honourable Anne McLellan, P.C., M.P. Minister of Natural Resources**
Auditor:	**Auditor General of Canada**

FINANCIAL SUMMARY ($ million) Financial year ending March 31.

	1993-94	1992-93	1991-92	1990-91	1989-90
Financial Position					
Total Assets	848.4	1,321.8	1,286.8	957.2	952.0
Loans from Private Sector	11.0	13.3	15.4	17.2	19.0
Loans from Canada	15.7	446.1	477.2	512.2	544.0
Shareholder's Equity	466.9	605.7	599.6	220.4	211.0
Operations					
Revenues	632.2	645.2	560.5	484.2	420.8
Net Income	(138.7)	10.1	2.0	7.8	(10.2)
Cash Flow	(0.7)	21.6	18.2	15.6	(2.8)
Funding from Canada					
Budgetary (operating & capital expenditures)	173.5	180.3	176.0	167.4	206.0
Non Budgetary (loans and investments)	0.0	0.0	0.0	0.0	0.0
Payments to Canada					
Loan Repayments	430.3	31.1	35.0	32.0	30.0
Dividends	0.0	0.0	153.2	0.0	0.0
Employment	4,287	4,431	4,503	4,531	4,337

BANK OF CANADA

MANDATE

The Bank of Canada is responsible for the formulation and implementation of monetary policy in Canada and acts as the government's fiscal agent. The Bank has the sole right to issue paper currency for circulation in Canada. It manages the level of settlement balances and conducts open-market operations, buying or selling securities as, in its judgment, the progress of Canada's economy requires. As fiscal agent, it handles the issue of securities of Canada and payment of related interest and principal; it also cashes and negotiates cheques drawn on the Receiver General. It administers the Exchange Fund Account and acts as agent for the government's operations in the foreign exchange market.

BACKGROUND

The Bank was created by the *Bank of Canada Act* in 1934 as Canada's central bank. As the Bank is exclusively responsible for the issue of bank notes, the majority of its liabilities is for notes in circulation. The majority of its revenue is interest earned on the investment in securities of Canada. In addition to the cost of handling bank notes, the Bank incurs expenses for the formulation of monetary policy, the management of Government of Canada debt and banking activities.

CORPORATE HIGHLIGHTS

John Crow retired as Governor of the Bank in January, 1994. His successor, Gordon G. Thiessen, was formerly Senior Deputy Governor.

The Bank's new processing facility for bank notes at Verdun, Quebec opened i early 1993. A similar facility at Mississauga, Ontario came on stream ir the summer of 1994. These two faciliti process more than one-half of the 4.7 billion bank notes processed each year. Net revenue of $1,552 million paid into the public treasury in 1993 was $254 million less than 1992 due to a lower rate of return on investments.

BANK OF CANADA

Governor:	**Gordon G. Thiessen**
Head Office:	**234 Wellington Street Ottawa, Ontario, K1A 0G9 (613) 782 - 8111 Facsimile: (613) 782 - 8655**
Incorporation and Status:	**1934, by the *Bank of Canada Act* (R.S.C. 1985, c. B-2); Acts as the fiscal agent of the Government of Canada; is exempt from the provisions of Divisions I to IV of Part X of the *Financial Administration Act.***
Appropriate Minister:	**The Honourable Paul Martin, P.C., M.P. Minister of Finance and Minister responsible for the Federal Office of Regional Development - Quebec**
Auditors:	**Raymond, Chabot, Martin, Paré and KPMG Peat Marwick Thorne**

FINANCIAL SUMMARY ($ million) Financial year ending December 31.

	1993	1992	1991	1990	1989
Financial Position					
Total Assets	29,045	27,442	27,045	25,275	24,780
Liabilities:					
Deposits	1,602	1,739	2,332	2,009	2,434
Notes in Circulation	27,237	25,609	24,481	22,970	22,093
Other	176	64	202	266	223
Shareholder's Equity	30	30	30	30	30
Operations					
Revenues	1,758	2,008	2,324	2,615	2,425
Expenses	181	182	188	186	172
Net Revenue - Paid to Canada	1,552	1,806	2,119	2,409	2,239
Employment	2,083	2,128	2,193	2,301	2,255

CANADA COUNCIL

MANDATE

To foster and promote the study, enjoyment and production of works in the arts and to co-ordinate United Nations Educational Scientific and Cultural Organization (UNESCO) activities in Canada, and Canadian participation in various UNESCO activities abroad.

BACKGROUND

The Council receives a parliamentary appropriation each year for its operations. As well, it administers an Endowment Fund with a principal amount of $50 million which was created by its Act, and other funds established through private donations. It is a charitable organization for the purposes of the *Income Tax Act*.

CORPORATE HIGHLIGHTS

The Canada Council is currently in the process of a strategic planning exercise whose objective is to define the future direction of the Council. As a result, an annual report has not yet been completed. Funding from the government in 1993-94 was $99.3 million compared to $108.0 million in 1992-93.

CANADA COUNCIL

Chairman:	**Donna M. Scott**
Chief Executive Officer:	**Roch Carrier**
Head Office:	**12th Foor** **350 Albert Street** **P.O. Box 1047** **Ottawa, Ontario, K1P 5V8** **(613) 237 - 3400** **Facsimile: (613) 598 - 4390**
Incorporation and Status:	**1957, by the *Canada Council Act* (R.S.C. 1985, c. C-2); Exempt from Divisions I to IV of Part X of the *Financial Administration Act*; Not an agent of Her Majesty.**
Appropriate Minister:	**The Honourable Michel Dupuy, P.C., M.P.** **Minister of Canadian Heritage**
Auditor:	**Auditor General of Canada**

FINANCIAL SUMMARY ($ million) Financial year ending March 31.

	1993-94	**1992-93**	**1991-92**	**1990-91**	**1989-90**
Financial Position					
Assets - Endowment Account	155.9	144.9	135.5	133.7	135.8
- Special Funds	51.0	49.5	47.4	46.4	46.1
Loans from Canada	0.0	0.0	0.0	0.0	0.0
Shareholder's Equity	171.7	163.1	153.9	151.0	148.4
Operations					
Revenues	113.3	121.5	120.5	120.0	118.1
Outlays on grants, services and art	92.2	100.8	99.2	98.2	97.3
Net Income	(1.3)	(0.7)	(0.5)	1.2	2.0
Cash Flow	(1.0)	(0.2)	0.1	1.9	2.5
Funding from Canada					
Budgetary (operating & capital expenditures)	99.3	108.0	105.5	104.1	103.5
Non Budgetary (loans and investments)	0.0	0.0	0.0	0.0	0.0
Payments to Canada					
Loan Repayments	0.0	0.0	0.0	0.0	0.0
Dividends	0.0	0.0	0.0	0.0	0.0
Employment	230	234	234	233	227

CANADA DEPOSIT INSURANCE CORPORATION

MANDATE

To provide limited insurance for deposits with member institutions i.e., federal banks, trust and loan companies and approved provincial trust and loan companies. To promote standards of sound business and financial practices for member institutions and to promote and otherwise contribute to the stability and competitiveness of the financial system in Canada. To pursue these objects for the benefit of persons having deposits in member institutions and in such a manner to minimize the exposure of CDIC to loss.

BACKGROUND

The Corporation was established by the *Canada Deposit Insurance Corporation Act* in 1967. Member institutions pay annual premiums which are credited to the Deposit Insurance Fund. Bill C-48, which amended the *Canada Deposit Insurance Corporation Act* and received Royal Assent on June 23, 1992, allows for an increase in the Corporation's borrowing authority to $6 billion.

CORPORATE HIGHLIGHTS

CDIC changed its year end from December 31, to March 31. This year's annual report, therefore, covers a 15-month period. The substantial improvement in operating results, from a loss of $861 million last year to a surplus of $3 million on the current year's operations, is due to the lower requirement of provision for losses on claims and guarantees of $851 million coupled with an offsetting increase in premium revenue and interest expense.

Deposit insurance payments and rehabilitation costs associated with some 34 member institution failures since 1970 resulted in a net deficit position for this fund of $1.65 billion by March 31, 1994. Premium rates were increased in 1985, 1993 and 1994, with the objective of eliminating the funds deficit by 1997-98. Premium increases of 33%, to 1/6 of 1% of insurable deposits, implemented in 1994 are expected to add approximately $160 million to revenue in 1994-95.

In 1993, CDIC enacted by-laws respecting standards of sound business and financial practices, and by-laws respecting the Application for Deposit Insurance and Policy of Deposit Insurance. In 1994, CDIC enacted a by-law respecting Premium Surcharge. Member institutions that fail to follow prescribed standards, legislation, regulations and agreements will be subject to premium surcharges.

CDIC established a committee of bank and trust company executives, a chartered accountant and the head of CDIC's Insurance and Risk Assessment Division to review and advise CDIC on risk assessment issues such as methodologies and procedures for assessing risks among member institutions, watch list and special review criteria, and assessment of options for dealing with failing institutions.

During 1993, a major review was conducted on field operations in conjunction with six major accounting firms and five of the largest banks to explore ways and means of liquidating assets that maximizes the net return to CDIC and minimizes its losses.

Several initiatives were undertaken in 1993-94 to improve CDIC's efficiency and effectiveness. Implementation of by-laws on sound business and financial practices; development work respecting by-laws on consumer information and joint and trust accounts; changes to CDIC's policies on payment of interest after wind-up; cost-recovery of special examinations of institutions in difficulty; reductions in CDIC expenditures on operations and interventions; and an external review of CDIC dealings with support for failed institutions.

CANADA DEPOSIT INSURANCE CORPORATION

Chairman:	**Grant L. Reuber**
President and Chief Executive Officer:	**Jean Pierre Sabourin**
Head Office:	**Suite 1200** **79 Wellington Street West** **Toronto Dominion Centre** **Toronto, Ontario, M5K 1H1** **(416) 973 - 3887** **Facsimile: (416) 973 - 3795**
Incorporation and Status:	**1967; by the *Canada Deposit Insurance Corporation Act* (R.S.C. 1985, c. C-3); Schedule III, Part I of the *Financial Administration Act*; An agent of Her Majesty.**
Appropriate Minister:	**The Honourable Paul Martin, P.C., M.P.** **Minister of Finance and** **Minister responsible for the Federal Office of Regional Development - Quebec**
Auditor:	**Auditor General of Canada**

FINANCIAL SUMMARY ($ million) Financial year ending March 31. Note CDIC changed its financial year-end from December 31 to March 31 during 1993-94.

	1993-94	1992	1991	1990	1989
Financial Position					
Total Assets	2,387.6	2,885.2	1,329.0	643.6	591.0
Loans from Private Sector	0.0	0.0	0.0	0.0	0.0
Loans from Canada	3,177.1	3,715.2	1,903.9	1,282.7	1,439.0
Balance (Deficiency) of Deposit Insurance	(1,647.7)	(1,450.7)	(590.0)	(642.6)	(851.0)
Operations					
Revenues	409.3	307.9	308.8	287.5	271.9
Net Income	3.0	(860.7)	52.6	208.2	166.3
Cash Flow	111.6	35.4	160.9	120.8	99.9
Funding from Canada					
Budgetary (operating & capital expenditures)	0.0	0.0	0.0	0.0	0.0
Non Budgetary (loans and investments)	1,230.0	2,105.0	1,375.0	0.0	0.0
Payments to Canada					
Loan Repayments	1,729.0	270.0	785.0	150.0	320.0
Dividends	0.0	0.0	0.0	0.0	0.0
Employment	90	94	92	65	63

CANADA DEVELOPMENT INVESTMENT CORPORATION

MANDATE

To effectively manage Crown corporations and investments assigned to it and to privatize its holdings when appropriate.

BACKGROUND

The Canada Development Investment Corporation (CDIC) manages its wholly-owned subsidiaries: Canada Eldor Inc. (successor to Eldorado Nuclear Limited), Cartierville Financial Corporation, and Theratronics International Limited. Canada Eldor Inc. (CEI) now holds a 5.7% interest in Cameco which it expects to sell in 1995. CDIC holds class II preferred shares in Varity Corporation. CDIC manages, on behalf of Canada, the government's holdings in National Sea Products Limited, and the government's significant interest in the common shares of Petro-Canada. A wholly-owned subsidiary of CDIC, Canada Hibernia Holding Corporation, holds the federal government's 8.5% interest in the Hibernia Oil and Gas Offshore Development Project.

CORPORATE HIGHLIGHTS

In 1993 and 1994, CDIC divested the assets of Co-enerco Resources Ltd., and Ginn Publishing Canada Inc. on behalf of the Crown. Proceeds of approximately $84 million were realized.

In 1993, as part of its responsibilities to manage Canada Eldor's 19.3% interest in Cameco Corporation, CDIC sold 5,000,000 shares of Cameco for $98.4 million. In 1994, CDIC sold an additional 2,000,000 shares of Cameco for $49.0 million to reduce Canada Eldor's interest to 5.7%.

In December 1993, a debt agreement was signed by Canada Eldor, the Department of Finance, and the Bank of Montreal, where the Department of Finance assumed sufficient of Canada Eldor's debt for it to remain within its borrowing authority.

Regulatory issues preventing the sale of Theratronics International Limited were successfully resolved, clearing the way to privatization.

All financial commitments made by Varity Corporation to the government were satisfied during 1993. When market prices improve, the Corporation will sell its preferred share interest in Varity.

CANADA DEVELOPMENT INVESTMENT CORPORATION

Chairman:	**Patrick J. Keenan**
Executive Vice President:	**Benita M. Warmbold**
Head Office:	**Suite 2703 Scotia Plaza 40 King Street West P.O. Box 320 Toronto, Ontario, M5H 3Y2 (416) 864 - 0333 Facsimile: (416) 864 - 0289**
Incorporation and Status:	**1982; by Canada Development Corporation under the *Canada Business Corporations Act.* Letters patent, May 26, 1982; Schedule III, Part II of the *Financial Administration Act*; An agent of Her Majesty.**
Appropriate Minister:	**The Honourable Paul Martin, P.C., M.P. Minister of Finance and Minister responsible for the Federal Office of Regional Development - Quebec**
Auditors:	**KPMG Peat Marwick Thorne and the Auditor General of Canada**

FINANCIAL SUMMARY ($ million) Financial year ending December 31.

	1993	1992	1991	1990	1989
Financial Position					
Total Assets	181.9	278.4	422.6	620.8	657.0
Loans from Private Sector	461.7	584.3	675.5	599.8	549.0
Loans from Canada	19.6	17.6	38.3	158.4	142.0
Shareholder's Equity	(318.2)	(357.8)	(344.2)	(188.9)	(152.0)
Operations					
Revenues	14.4	5.3	26.2	49.8	15.0
Net Income	(32.7)	(67.2)	(147.7)	(36.1)	(292.4)
Cash Flow	11.5	0.9	6.3	12.0	4.5
Funding from Canada					
Budgetary (operating & capital expenditures)	0.0	0.0	0.0	0.0	0.0
Non Budgetary (loans and investments)	0.0	0.0	0.0	0.0	0.0
Payments to Canada					
Loan Repayments	0.0	0.0	0.0	0.0	0.0
Dividends	7.7	21.5	7.6	0.3	0.0
Employment	9	9	10	10	10

CANADA LANDS COMPANY LIMITED

MANDATE

To acquire, purchase, lease, hold, improve, manage, exchange, sell, or otherwise deal in or dispose of real or personal property or any interest therein.

BACKGROUND

Canada Lands Company Limited, formerly the Public Works Land Company Limited, has not been involved in any financial transactions and as a result, the financial statements have nil balances. It has an active wholly-owned subsidiary, Old Port of Montreal Corporation Inc., which has been directed to report as a parent Crown corporation; two inactive wholly-owned subsidiaries: Canada Lands Company (Vieux-Port de Québec) Inc., and the Canada Museums Construction Corporation Inc.; and leases for two properties in London, England and two properties on Indian reserves in Canada. Canada Lands Company (Vieux-Port de Québec) Inc. ceased operations on March 31, 1988. A decision has yet to be taken with respect to its formal dissolution pending the resolution of certain legal matters.

CORPORATE HIGHLIGHTS

Canada Lands Company Limited is a non-operating corporation whose subsidiaries are reported separately.

CANADA LANDS COMPANY LIMITED

President:	**Ranald A. Quail**
Head Office:	**Room B-401 Sir Charles Tupper Building Riverside Drive Ottawa, Ontario, K1A 0M2 (613) 736 - 2220 Facsimile: (613) 998 - 8360**
Incorporation and Status:	**1956; by letters patent; reorganized under the *Canada Business Corporations Act*, September 19, 1977. Certificate of Continuance under the *Canada Business Corporations Act* July 7, 1981; Schedule III, Part I of the *Financial Administration Act*; An agent of Her Majesty.**
Appropriate Minister:	**The Honourable David Dingwall, P.C., M.P. Minister of Public Works and Government Services and Minister for the Atlantic Canada Opportunities Agency**
Auditor:	**Auditor General of Canada**

FINANCIAL SUMMARY ($ million) Financial year ending March 31.

The annual audited financial statements of Canada Lands Company Limited assign no value to any of its assets because the accounts of its subsidiaries are reported separately and any increases in equity of the subsidiaries are not expected to accrue to the parent company. The Corporation has no employees.

CANADA MORTGAGE AND HOUSING CORPORATION

MANDATE

To promote the construction of new houses, the repair and modernization of existing houses and the improvement of housing and living conditions.

BACKGROUND

Established in 1946, the Canada Mortgage and Housing Corporation (CMHC) conducts research, provides policy advice and acts as the government's agent in the provision of grants, contributions and subsidies for the advancement of housing and community development. Its mandate has been split into three categories:

The **Corporate Account's** primary activities are the management of its portfolio of loans and investments, land development and management, and the provision of service to others. The loans and investments are made under three planning elements: Social Housing, Market Housing and Housing Support with the major emphasis, approximately 75%, in Social Housing. These loans and investments are funded from borrowings from the Government of Canada and, beginning in 1993, from borrowings from the private sector. The Corporation manages significant land holdings for development and disposal in partnership with the Government of Canada, the provinces and others, and from its own portfolio.

The **Minister's Account** delivers Social Housing, Market Housing and Housing Support programs. Approximately 95% of the total activity relates to social housing. Social housing programs assist households in need to obtain affordable, suitable and adequate shelter. Market housing programs assist private market stability and promote home ownership and co-operative housing. The Housing Support programs pursue research and development on national housing standards, promote housing quality improvements, and provide other ancillary services including national housing statistics.

The **Administered Funds** include four separate insurance and guarantee funds administered on behalf of the Government of Canada - the Mortgage Insurance Fund, Mortgage-backed Securities Guarantee Fund, the Home Improvement Loan Insurance Fund and the Rental Guarantee Fund. The Mortgage Insurance Fund and the Mortgage-backed Securities Guarantee Fund ensure the availability of an adequate supply of mortgage funds through the reduction of mortgage lending risk through default to lenders and the development of an active secondary market for the trading of mortgages. The other two funds are dormant, one of which was disbanded during 1993.

In 1993, $5 million of surplus funds in each of the Rental Guarantee Fund and the Mortgage-backed Securities Guarantee Fund and the assets of the Home Improvement Loan Insurance Fund (approximately $1.5 million) were remitted to the Government of Canada.

CORPORATE HIGHLIGHTS

During 1993, CMHC's Mortgage Loan Insurance Program helped a record 296,000 home purchases. Approximately 78,000 of these purchases were made possible through the First Home Loan Insurance initiative where the minimum down payment requirement for first time buyers is 5%. Total insurance in force increased 20% during 1993 from $72.0 billion to $86.5 billion. Higher claims led to a $56.9 million loss, reducing the surplus at year-end to $38 million.

Requirements for social housing programs (Minister's Account) of $1,935 million were 9% less than budget reflecting lower mortgage rates and a reduction in new social housing commitments. The April 1993 Budget capped funding for social housing at $2 billion per year.

In November 1993, CMHC used its new capital market borrowing authority for the first time to make a $1 billion bond issue. The funds were used to replace private sector financing for social housing mortgages that were coming due. CMHC expects to increase its direct loans and investments in social housing by approximately $12 billion over the next five years.

CANADA MORTGAGE AND HOUSING CORPORATION

Chairman:	**Claude F. Bennett**
President and Chief Executive Officer:	**Eugene A. Flichel**
Head Office:	**700 Montreal Road** **Ottawa, Ontario, K1A 0P7** **(613) 748 - 2000** **Facsimile: (613) 748 - 2067**
Incorporation and Status:	**1946; by the *Central Mortgage and Housing Corporation Act*; (R.S.C. 1985, c. C-7). Amended March 16, 1979 to *Canada Mortgage and Housing Corporation Act*; Schedule III, Part I of the *Financial Administration Act;* An agent of Her Majesty except when s. 14 of its Act applies.**
Appropriate Minister:	**The Honourable David Dingwall, P.C., M.P.** **Minister of Public Works and Government Services and** **Minister for the Atlantic Canada Opportunities Agency**
Auditors:	**Deloitte & Touche and the Auditor General of Canada**

FINANCIAL SUMMARY ($ million) Financial year ending December 31.

	1993	1992	1991	1990	1989
CORPORATE ACCOUNT					
Financial Position					
Total Assets	10,014	8,943	8,855	9,057	9,213
Loans from Private Sector	1,345	37	38	39	0
Loans from Canada	8,306	8,496	8,633	8,734	8,880
Shareholder's Equity	50	50	43	50	50
Operations					
Revenues	800	786	781	818	867
Net Income	6	12	17	11	31
Cash Flow	10	14	(94)	(47)	32
Funding from Canada					
Budgetary (operating & capital expenditures)	0	0	0	0	0
Non Budgetary (loans and investments)	263	307	284	284	280
Payments to Canada					
Loan Repayments	454	440	360	399	467
Dividends	6	5	18	11	31
MINISTER'S ACCOUNT					
Operations					
Expenditures	1,935	1,950	1,962	1,886	1,687
Budgetary Appropriations	1,900	1,907	1,981	1,971	1,593
Due from the Minister,	264	228	16	35	120
ADMINISTERED FUNDS					
Financial Position					
Total Assets	1,844	1,599	1,377	1,136	929
Shareholder's Equity	38	107	174	186	65
Operations					
Revenues	437	366	302	288	224
Net Income	(57)	(12)	(12)	121	169
Cash Flow	262	189	238	191	228
Employment	2,975	2,955	2,931	3,002	3,103

CANADA PORTS CORPORATION

MANDATE

To plan and co-ordinate the development of 15 ports to achieve the objectives of the national ports policy and to support Canadian international trade objectives.

BACKGROUND

The Corporation was established in 1983 with responsibility for the ports that previously fell under the jurisdiction of the National Harbours Board. Parent Crown corporation status was subsequently given to seven of the local ports. The Canada Ports Corporation monitors the activities of the seven local port corporations and is directly responsible for the administration, management and control of seven ports: Belledune, Churchill, Port Colborne, Prescott, Port Saguenay/Baie des Ha! Ha!, Sept-Îles and Trois-Rivières. Ridley Terminals Inc.(RTI) is a wholly-owned subsidiary of the Canada Ports Corporation. These 15 ports within what is known as the Ports Canada system handle nearly 50% of Canadian port traffic.

CORPORATE HIGHLIGHTS

Despite a slight decrease in volume handled, revenue from operations in 1993 was up by 4% from the previous year to $54.8 million. Revenue improvement of $4.2 million among divisional ports during the year is largely attributed to the additional revenue generated from the new coal terminal at the Port of Belledune. Coal throughput through Ridley Terminals Inc. was down by 9% over 1992. This reduction has been partially attributed to a labour disruption which affected rail service to the port.

Operating expenses in 1993 increased by $4.3 million; however, the increase reflects Ridley Terminals recording of $5.2 million in 1992 relating to a liability forgiven and bad debt recovery. Otherwise, operating expenses in 1993 were lower at the divisional ports. The Port of Churchill showed a 21% drop in operating expenses over the previous year.

The decline in net income from the 1992 level can be mainly attributed to the RTI surcharge reversal, the effect of which has been partially offset by an increase of $3.9 million in 1993. RTI, and the ports of Sept-Iles and Prescott, are the major contributors to the net income with, $8 million, $1.7 million and $1.1 million respectively. The Port of Belledune showed the best improvement of $1.7 million over 1992.

The Corporation invested $7.6 million in the construction of new facilities and the improvement of the existing ones. A capital grant of $0.2 million was received for the St. Alexis wharf project at Baie des Ha! Ha!; the balance of the capital investments was financed by borrowings and internally generated funds.

CANADA PORTS CORPORATION

Chairman:	**Arnold E. Masters**
President and Chief Executive Officer:	**Jean Michel Tessier**
Head Office:	**8th Floor** **99 Metcalfe Street** **Ottawa, Ontario, K1A 0N6** **(613) 957 - 6787** **Facsimile: (613) 996-9629**
Incorporation and Status:	**1983; pursuant to the *National Harbours Board Act* (R.S.C. 1970, N-8, s.3); reconstituted by the *Canada Ports Corporation Act* (R.S.C. 1985, c. C-9); Schedule III, Part II of the *Financial Administration Act*; An agent of Her Majesty.**
Appropriate Minister:	**The Honourable Douglas Young, P.C., M.P.** **Minister of Transport**
Auditors:	**Arthur Andersen & Co.**

FINANCIAL SUMMARY ($ million) Financial year ending December 31.

	1993	1992	1991	1990	1989
Financial Position					
Total Assets	247.0	217.9	185.2	124.2	118.9
Loans from Private Sector	196.0	191.5	208.8	0.0	0.0
Loans from Canada	0.5	0.6	1.2	1.3	1.4
Shareholder's Equity	(16.1)	(51.8)	(86.9)	97.3	112.1
Operations					
Revenues	58.0	56.3	30.8	16.2	14.9
Net Income	10.5	11.8	(255.9)	2.4	0.8
Cash Flow	15.7	19.4	4.2	5.6	6.6
Funding from Canada					
Budgetary (operating & capital expenditures)	0.0	12.8	90.9	9.8	29.4
Non Budgetary (loans and investments)	0.0	20.0	10.0	0.0	0.0
Payments to Canada					
Loan Repayments	0.1	0.6	0.1	0.1	0.1
Dividends	0.1	negl.	0.2	20.7	0.1
Employment	281	218	183	154	136

CANADA POST CORPORATION

MANDATE

To operate a postal service on a self-sustaining financial basis while providing a standard of service that will meet the needs of Canadians.

BACKGROUND

The *Canada Post Corporation Act* requires the Corporation to fulfill its mandate while improving and extending its products and services, and to conduct its operations on a self-sustaining financial basis. Canada provides support for the publishing industry, northern parcel mail, parliamentary free mail, and blind persons' free mail by making payments to the Corporation. The Corporation does not receive operating subsidies from Canada.

CORPORATE HIGHLIGHTS

Canada Post reported a net loss of $270 million, including a restructuring charge of $282 million, in its 1993-94 Annual Report. Consolidated income from operations prior to restructuring charges was $26 million in 1993-94, compared with the 1993-94 corporate plan forecast of $105 million calculated on a comparable basis. Restructuring costs included the development and implementation of management and operating systems as well as the realignment of resources to establish a more efficient and effective postal system.

The Corporation is continuing in its efforts to become more mechanized and efficient. The Corporation disposed of its computing and communications network and supporting assets for $142 million and entered into long-term outsourcing agreements for these services involving future commitments of approximately $1.0 billion.

Canada Post anticipates a decline in revenues from Lettermail by 1998-99. In response, Canada Post is actively competing for the electronic communications business and is already positioning itself with electronic-to-print and computer-based services like Lettermail Plus, Admail Plus and Omnipost.

Canada Post has also partnered with a consortium, called UBI, which will allow customers to order products, pay their bills and receive personalized mail electronically using an interactive terminal installed in their home. Other partners in UBI are Le Groupe Vidéotron Ltée., Hydro-Québec, the National Bank of Canada, Loto-Québec, Vidéoway Communications Inc., and the Hearst Corporation. Terminals will be installed in 34,000 homes in the Saguenay area. These will serve as the test for this technology, starting in the fall of 1995.

During the year, the Corporation increased its market share in the domestic courier market by purchasing a 75% interest in Purolator Courier Ltd. for $55 million.

CANADA POST CORPORATION

Chairman:	**Vacant**
President and Chief Executive Officer:	**Georges C. Clermont**
Head Office:	**Canada Post Place 2701 Riverside Drive Ottawa, Ontario, K1A 0B1 (613) 734 - 8440 Facsimile: (613) 734 - 6022**
Incorporation and Status:	**1981; by the *Canada Post Corporation Act* (R.S.C. 1985, c. C-10); Schedule III, Part II of the *Financial Administration Act*; An agent of Her Majesty.**
Appropriate Minister:	**The Honourable David Dingwall, P.C., M.P. Minister of Public Works and Government Services and Minister for the Atlantic Canada Opportunities Agency**
Auditors:	**Ernst & Young**

FINANCIAL SUMMARY ($ million) Financial year ending March 31.

	1993-94	1992-93	1991-92	1990-91	1989-90
Financial Position					
Total Assets	2,612.8	2,494.1	2,461.9	2,662.0	2,508.3
Loans from Private Sector	199.0	55.0	55.0	55.0	0.0
Loans from Canada	80.0	80.0	80.0	80.0	80.0
Shareholder's Equity	1,066.9	1,337.3	1,311.7	1,444.9	1,490.0
Operations					
Revenues	4,118.7	3,920.7	3,872.8	3,785.2	3,756.1
Net Income	(270.4)	25.6	(127.5)	14.3	148.8
Cash Flow	43.8	230.9	27.5	200.7	164.1
Funding from Canada					
Budgetary (operating & capital expenditures)	14.0	14.0	115.3	148.5	184.5
Non Budgetary (loans and investments)	0.0	0.0	0.0	0.0	0.0
Payments to Canada					
Loan Repayments	0.0	0.0	0.0	0.0	0.0
Dividends	0.0	0.0	5.7	59.5	0.0
Employment	43,699	44,683	46,666	49,046	52,839

CANADIAN BROADCASTING CORPORATION

MANDATE

The Canadian Broadcasting Corporation (CBC) is Canada's national public broadcasting service. It produces, procures and distributes primarily Canadian programming in English, French and a number of other languages, through its national, regional and local radio and television services, and various domestic and international specialty services.

Its mission is to inform, entertain and enlighten; to contribute to the development of shared national consciousness and identity; to reflect the regional and cultural diversity of Canada; and to contribute to the development of Canadian talent and culture.

BACKGROUND

The CBC was established in 1936 and now operates under the 1991 *Broadcasting Act.*

The Corporation operates English and French language television and radio networks, regional radio and television services. It also offers specialized services such as Newsworld, a 24-hour English language information channel, and Radio Canada International which broadcasts programs in seven languages.

CBC programs are distributed through Telesat's Anik series of satellites. The satellites are used in combination with 100,000 km. of microwave and landline feeding 85 CBC owned stations, 1,154 CBC owned rebroadcasters, and 34 private affiliated stations and 263 affiliated or community owned rebroadcasters.

CORPORATE HIGHLIGHTS

During 1993, CBC and Power Broadcasting Inc. (PBI) created two programming services, TRIO and Newsworld International, for sale in the United States and elsewhere, and which, as of September 1994, are being distributed as subscription services on Direct TV DBS in the U.S.A. CBC is an equal partner in the CBC/PBI Joint Venture and will use its return to support the high quality Canadian television programming required to realize the CBC's goal of becoming even more distinctive in the Canadian television broadcasting system.

In September 1993, the CBC submitted to the CRTC a new application for a French all-news service and also participated with private sector partners in four other applications - Festival, Headline, Chapiteau and Showcase. In June 1994, the CRTC granted licences for the CBC's Le Réseau de l'information (RDI) and Showcase. Showcase will provide viewers with an all-fiction programming service offering independently-produced movies, drama, comedy and mini-series from Canada and abroad. Both services are expected to commence in January 1995 and their operations will be financed by cable subscription and advertising revenues. These services, like Newsworld, will not draw on the parliamentary appropriations allocated for the CBC's main television and radio services.

In February 1994, the government announced that it would delay, by one year, funding reductions of $100 million directed at the CBC. Government funding of CBC's operations in 1993 was $955 million, a marginal decline from $959 million in 1992. Government funding for capital projects and working capital declined from $151 million to $135 million. Parliament has also approved a limited borrowing authority for CBC. It is expected that this will allow the corporation to invest in projects, other than commercial advertising, which have demonstrable positive cash returns.

CANADIAN BROADCASTING CORPORATION

Chairperson:	**Vacant**
President :	**Anthony S. Manera**
Head Office:	**1500 Bronson Avenue P.O. Box 8478 Ottawa, Ontario, K1G 3J5 (613) 724 - 1200 Facsimile: (613) 738 - 6925**
Incorporation and Status:	**1936, by the *Broadcasting Act* (R.S.C. 1985, c. B-9); Exempt from Divisions I to IV of Part X of the *Financial Administration Act*; An agent of Her Majesty.**
Appropriate Minister:	**The Honourable Michel Dupuy, P.C., M.P. Minister of Canadian Heritage**
Auditor:	**Auditor General of Canada**

FINANCIAL SUMMARY ($ million) Financial year ending March 31.

	1993-94	1992-93	1991-92	1990-91	1989-90
Financial Position					
Total Assets	1,582.0	1,582.8	1,072.8	1,020.0	941.0
Loans from Private Sector	435.3	436.1	0.8	1.0	0.0
Loans from Canada	33.0	33.0	33.0	33.0	33.0
Shareholder's Equity	756.8	774.3	700.1	651.0	601.0
Operations					
Revenues	1,329.1	1,330.9	1,278.7	1,349.0	1,223.0
Net Income	(152.4)	(76.4)	(81.9)	(42.0)	(83.0)
Cash Flow	13.7	26.6	10.8	27.8	(31.9)
Funding from Canada					
Budgetary (operating & capital expenditures)	1,089.5	1,109.7	1,031.0	1,078.0	981.0
Non Budgetary (loans and investments)	0.0	0.0	0.0	0.0	0.0
Payments to Canada					
Loan Repayments	0.0	0.0	0.0	0.0	0.0
Dividends	0.0	0.0	0.0	0.0	0.0
Employment	9,117	9,337	9,551	10,713	10,571

CANADIAN COMMERCIAL CORPORATION

MANDATE

To assist in the development of trade between Canada and other nations.

BACKGROUND

Established in 1946, the Canadian Commercial Corporation's (CCC) principal activity is to facilitate sales to foreign governments and international agencies on behalf of Canadian suppliers. In all transactions, CCC assumes the role of prime contractor, undertaking to deliver a product or service to the foreign customer with a "back-to-back" obligation from a Canadian supplier. To achieve this, the Corporation offers a wide range of export support services to Canadian exporters, provides them with special access to foreign government markets and enhances their credibility by guaranteeing contract performance. A significant portion of sales are generated as a result of specific obligations outlined in the Defence Production Sharing Agreement and the Defence Development Sharing Agreement with the United States government.

CORPORATE HIGHLIGHTS

On June 25, 1993 Ranald A. Quail replaced Ruth Hubbard as the President of the CCC and Chairman of its board of directors.

Sales during the year totalled $882 million, a 13% increase over the previous year. A significant portion of these sales ($332 million) was for international markets other than the U.S. The Corporation is obligated to fulfill numerous contracts with foreign customers. The total contract value remaining to be fulfilled approximates $2.1 billion as at March 31, 1994 compared with $2.4 billion in 1993.

CCC has refocussed its efforts to exploit the new export opportunities resulting from the ratification of NAFTA and the rapid economic growth in the Asia/Pacific region.

Non-defence U.S. market development activity initiated in prior years is expected to increase sales in this market. The Corporation's strategic plan for the 1994-95 fiscal year and beyond provides for a continuation of its 1993-94 strategies aimed at improving services to Canadian suppliers and foreign customers, enlarging CCC's client base and strengthening corporate capacity to respond to clients' needs.

The Corporation will continue to emphasize its support to small and medium-sized Canadian businesses.

CANADIAN COMMERCIAL CORPORATION

Chairperson and President:	**Ranald A. Quail**
Head Office:	**Metropolitan Centre 11th Floor 50 O'Connor Street Ottawa, Ontario, K1A 0S6 (613) 996 - 0034 Facsimile: (613) 992 - 2121**
Incorporation and Status:	**1946; by the *Canadian Commercial Corporation Act* (R.S.C. 1985, c. C-14); Schedule III, Part I of the *Financial Administration Act*; An agent of Her Majesty.**
Appropriate Minister:	**The Honourable David Dingwall, P.C., M.P. Minister of Public Works and Government Services and Minister for the Atlantic Canada Opportunities Agency**
Auditor:	**Auditor General of Canada**

FINANCIAL SUMMARY ($ million) Financial year ending March 31.

	1993-94	1992-93	1991-92	1990-91	1989-90
Financial Position					
Total Assets	390.6	473.2	532.1	986.2	829.8
Loans from Private Sector	110.1	196.1	237.5	540.7	410.0
Loans from Canada	0.0	0.0	0.0	0.0	0.0
Shareholder's Equity	17.0	15.8	46.2	45.3	40.1
Operations					
Revenues	882.1	610.8	761.6	704.5	689.8
Net Income	1.2	(0.4)	2.7	6.7	7.2
Cash Flow	1.2	(0.4)	2.7	6.7	7.2
Funding from Canada					
Budgetary (operating & capital expenditures)	13.8	13.5	14.1	14.9	17.1
Non Budgetary (loans and investments)	0.0	0.0	0.0	0.0	0.0
Payments to Canada					
Loan Repayments	0.0	0.0	0.0	0.0	0.0
Dividends	0.0	30.0	1.8	1.4	0.9
Employment	81	81	97	95	97

CANADIAN DAIRY COMMISSION

MANDATE

To provide efficient producers of milk and cream with an opportunity to obtain a fair return for their labour and investment, and to provide consumers of dairy products with a continuous and adequate supply of high quality dairy products.

BACKGROUND

Established in 1966 by the *Canadian Dairy Commission Act*, the Corporation administers the following elements of the federal dairy program: calculation of target price for milk and cream for industry; market support for the target price through a nationwide offer to purchase butter and skim milk powder; direct support payments on eligible milk and cream shipments; international marketing of dairy products not required for domestic consumption; receipt of levies collected by provinces from farmers to finance the cost of exporting products surplus to domestic requirements; and co-ordination of national supply management of industrial milk production.

CORPORATE HIGHLIGHTS

In December 1992, the government reduced the rate of the direct support payment by 10% from 1992-93 reference levels for two consecutive years beginning August 1993. In the April 1993 Budget, the government announced additional cuts, to be phased in by 1996-97. The subsidy to dairy producers will be reduced by an additional 5% in 1995-96 and by another 5% in 1996-97. The subsidy would therefore be reduced by a total of 20%. The first 10% cut, on August 1, 1993, was offset by an increase in the market returns for dairy products.

As part of the December 1992 Economic and Fiscal Statement, the Commission's operating budget was reduced by 3% for 1993-94. Subsequent cuts of 2.4% and 4% will come into effect in 1994-95 and 1995 - 96. In addition, salaries were frozen for a further two years. .

Export sales in 1992-93 declined substantially from $168.5 million to $76.4 million mainly due to the greatly diminished production of surplus skim milk powder. As a result export sales decreased to $30.5 million from $79.3 million. Producer levies during 1993 were down significantly from $219.3 million to $136.8 million.

CANADIAN DAIRY COMMISSION

Chairman and Chief Executive Officer:	**Gilles Prégent**
Head Office:	**Carling Executive Park** **1525 Carling Avenue** **Suite 300** **Ottawa, Ontario, K1A 0Z2** **(613) 998 - 9490** **Facsimile: (613) 998-4492**
Incorporation and Status:	**1966; by the *Canadian Dairy Commission Act* (R.S.C. 1985,c. C-15);** **Schedule III, Part I of the *Financial Administration Act*;** **An agent of Her Majesty.**
Appropriate Minister:	**The Honourable Ralph Goodale, P.C., M.P.** **Minister of Agriculture and Agri-Food**
Auditor:	**Auditor General of Canada**

FINANCIAL SUMMARY ($ million) Financial year ending July 31.

	1992-93	**1991-92**	**1990-91**	**1989-90**	**1988-89**
Financial Position					
Total Assets	171.0	248.9	233.6	232.4	242.7
Loans from Private Sector	75.2	30.8	28.1	52.1	69.0
Loans from Canada	58.4	150.8	136.6	106.3	114.3
Shareholder's Equity	0.0	0.0	0.0	0.0	0.0
Operations					
Revenues	163.9	242.7	193.6	243.0	200.1
Net Income	29.1	13.8	(6.5)	9.2	21.8
Cash Flow	n.a	n.a	n.a	n.a	n.a
Funding from Canada					
Budgetary (operating & capital expenditures)	242.6	241.9	258.6	270.0	287.5
Non Budgetary (loans and investments)	167.3	266.7	234.9	252.6	278.2
Payments to Canada					
Loan Repayments	259.7	252.6	204.5	260.6	251.3
Dividends	0.0	0.0	0.0	0.0	0.0
Employment	58	62	67	71	71

CANADIAN FILM DEVELOPMENT CORPORATION

MANDATE

To foster and promote an independent film and television production industry in Canada by providing financial assistance for the development, production and distribution of Canadian motion pictures and videos, and through other forms of industry assistance.

BACKGROUND

The Corporation, also known as Telefilm Canada, supports the domestic film and television production industry.

CORPORATE HIGHLIGHTS

In 1993-94, Telefilm supported some 400 film and television projects through a number of Funds and Programs. Priority was given to financing production and development. The Corporation provided overall assistance of $106.3 million compared with $100.4 million in 1992-93.

A Loan Guarantee Program received government endorsement in the spring of 1994. This new Program will be an addition to the Corporation's range of funds and programs and will become operational in 1995. While increasing the financial resources available, this program brings traditional financial institutions and the film and television industry closer together.

This year marked the tenth anniversary of the Canadian Broadcast Program Development Fund. During this ten-year period the Fund assisted the industry in the creation of 1,000 television programs and series, representing 5,000 hours of dramas, children's programs, documentaries and variety shows. Telefilm-financed television productions from 1983-93 amounted to nearly $2 billion. With a total contribution of $650 million, Telefilm covered an average one-third of these budgets.

CANADIAN FILM DEVELOPMENT CORPORATION

Chairman:	**Robert Dinan**
Interim Executive Director:	**Peter Katadotis**
Head Office:	**Tour de la Banque Nationale** **14th Floor** **600 de La Gauchetière, West** **Montreal, Quebec, H3B 4L2** **(514) 283 - 6363** **Facsimile: (514) 283 - 8212**
Incorporation and Status:	**1967; by the *Canadian Film Development Corporation Act*, (R.S.C. 1985, c. C-16); Exempt from Divisions I to IV of Part X of the *Financial Administration Act*; An agent of Her Majesty.**
Appropriate Minister:	**The Honourable Michel Dupuy, P.C., M.P.** **Minister of Canadian Heritage**
Auditor:	**Auditor General of Canada**

FINANCIAL SUMMARY ($ million) Financial year ending March 31.

	1993-94	1992-93	1991-92	1990-91	1989-90
Financial Position					
Total Assets	39.2	33.0	31.5	20.8	47.8
Loans from Private Sector	0.0	0.0	0.0	0.0	0.0
Loans from Canada	0.0	0.0	0.0	0.0	0.0
Shareholder's Equity	28.4	22.7	19.3	15.1	14.8
Operations					
Revenues	0.9	0.9	0.9	0.9	1.0
Net Income	(118.3)	(133.6)	(140.8)	(144.9)	(155.0)
Cash Flow	(116.3)	(131.9)	(139.8)	(141.8)	(148.5)
Funding from Canada					
Budgetary (operating & capital expenditures)	132.4	144.5	145.1	145.1	145.6
Non Budgetary (loans and investments)	0.0	0.0	0.0	0.0	0.0
Payments to Canada					
Loan Repayments	0.0	0.0	0.0	0.0	0.0
Dividends	8.5	7.5	0.0	0.0	0.0
Employment	178	182	187	189	182

CANADIAN MUSEUM OF CIVILIZATION

MANDATE

To increase interest in, knowledge of, and appreciation and respect for human cultural achievements and behaviour throughout Canada and internationally by establishing, for research and posterity, a collection of objects of historical or cultural interest with special, but not exclusive, reference to Canada.

BACKGROUND

On July 1, 1990, the Canadian Museum of Civilization (CMC) became a separate parent Crown corporation under the *Museums Act*. The Museum was previously under the jurisdiction of the National Museums of Canada. The CMC also operates the Canadian War Museum (an affiliated museum dedicated to Canada's military history and continuing commitment to peacekeeping), and the National Postal Museum.

CORPORATE HIGHLIGHTS

Throughout 1993-94, the CMC strived to achieve a number of objectives, including: successful completion of all currently existing exhibition spaces at both the Canadian Museum of Civilization and the Canadian War Museum, improved level of outreach activities with particular emphasis on electronic outreach and non-traditional information services for outreach programming, and completion of unfinished long-term exhibitions at the Canadian Museum of Civilization.

CMC selected a new Financial Management Information System in August of 1993 which was implemented in March 1994.

CANADIAN MUSEUM OF CIVILIZATION

Chairperson:	**Peter A. Herrndorf**
Executive Director:	**George F. MacDonald**
Head Office:	**100 Laurier Street P.O. Box 3100, Station B Hull, Quebec, J8X 4H2 (819) 776 - 7116 Facsimile: (819) 776 - 7122**
Incorporation and Status:	**July 1, 1990, by the *Museums Act* (S.C. 1990, c.3); Schedule III, Part I of the *Financial Administration Act*; An agent of Her Majesty.**
Appropriate Minister:	**The Honourable Michel Dupuy, P.C., M.P. Minister of Canadian Heritage**
Auditor:	**Auditor General of Canada**

FINANCIAL SUMMARY ($ million) Financial year ending March 31.

	1993-94	1992-93	1991-92	1990-91
Financial Position				
Total Assets	25.2	25.6	26.0	23.7
Loans from Private Sector	0.0	0.0	0.0	0.0
Loans from Canada	0.0	0.0	0.0	0.0
Shareholder's Equity	13.7	14.4	13.4	10.9
Operations				
Revenues	7.1	7.3	6.4	4.2
Net Income	(40.3)	(38.2)	(38.9)	(28.5)
Cash Flow	(36.7)	(35.0)	(35.6)	(26.7)
Funding from Canada				
Budgetary (operating & capital expenditures)	39.6	39.2	41.5	29.4
Non Budgetary (loans and investments)	0.0	0.0	0.0	0.0
Payments to Canada				
Loan Repayments	0.0	0.0	0.0	0.0
Dividends	0.0	0.0	0.0	0.0
Employment	525	525	503	475

CANADIAN MUSEUM OF NATURE

MANDATE

To increase interest in, knowledge of, and appreciation and respect for the natural world throughout Canada and internationally by establishing, developing and maintaining, for research and posterity, a collection of natural history objects with special, but not exclusive, reference to Canada.

BACKGROUND

The Canadian Museum of Nature (CMN) evolved from the Geological Survey of Canada, which was established by Parliament in 1841 to investigate the geology and natural history of the Province of Canada. The CMN was established as a separate parent Crown corporation by the *Museums Act* on July 1, 1990. The Museum was previously under the jurisdiction of the National Museums of Canada.

CORPORATE HIGHLIGHTS

During the year CMN undertook a major restructuring of its operations to meet reduced government appropriations. The number of employees now stands at 216 compared to 251 last year. Following successful negotiations for the transfer of the custody and control of its buildings from Public Works and Government Services Canada, CMN has successfully been pursuing plans for the consolidation, by 1999, of its existing 13 sites into 2 efficient and cost effective units.

The CMN's six Centres of Knowledge set a focussed direction in research, service co-ordination and dissemination of scientific information. Mandates for each Centre were successfully drafted.

The Museum embarked on a new concept of categorization and risk assessment on its collections in 1991. It should be in full use by 1995. It will enhance the efficiency and effectiveness of managing the Museum's collections.

The Museum has continued to control the growth of its collections. All major acquisitions were monitored by a Collections Advisory Committee.

CANADIAN MUSEUM OF NATURE

Chairperson:	**Norman E. Wagner**
Chief Executive Officer:	**Alan R. Emery**
Head Office:	**Victoria Memorial Museum Building 240 Metcalfe Street P.O. Box 3443, Station D Ottawa, Ontario, K1P 6P4 (613) 996 - 9281 Facsimile: (613) 995 - 3040**
Incorporation and Status:	**July 1, 1990, by the *Museums Act* (S.C. 1990, c.3); Schedule III, Part I of the *Financial Administration Act*; An agent of Her Majesty.**
Appropriate Minister:	**The Honourable Michel Dupuy, P.C., M.P. Minister of Canadian Heritage**
Auditor:	**Auditor General of Canada**

FINANCIAL SUMMARY ($ million) Financial year ending March 31.

	1993-94	1992-93	1991-92	1990-91
Financial Position				
Total Assets	7.9	7.3	8.2	5.8
Loans from Private Sector	0.0	0.0	0.0	0.0
Loans from Canada	0.0	0.0	0.0	0.0
Shareholder's Equity	2.3	0.8	0.5	0.8
Operations				
Revenues	1.5	1.2	2.1	1.0
Net Income	(18.3)	(18.7)	(19.5)	(13.8)
Cash Flow	(16.1)	(17.5)	(18.5)	(13.2)
Funding from Canada				
Budgetary (operating & capital expenditures)	19.8	19.1	19.2	13.6
Non Budgetary (loans and investments)	0.0	0.0	0.0	0.0
Payments to Canada				
Loan Repayments	0.0	0.0	0.0	0.0
Dividends	0.0	0.0	0.0	0.0
Employment	216	251	244	255

CANADIAN NATIONAL RAILWAY COMPANY

MANDATE

To operate a national railway system and other transportation and related services.

BACKGROUND

In 1919, the Canadian National Railway Company (CNR) was created from an amalgamation of 200 companies, many of which were insolvent. From the merger of these companies, CNR was required to produce one strong, commercially competitive system to serve the entire nation. It was recapitalized in 1937, 1952 and in 1978. In 1986, a subsidiary, CN Marine Inc., was incorporated as a separate parent Crown corporation and renamed Marine Atlantic Inc. In 1988, the corporation sold its hotel, telephone and telecommunication subsidiaries and applied the proceeds to reduce its corporate debt. In 1992, CNR sold its 3.7% interest in Telesat Canada.

CORPORATE HIGHLIGHTS

Profitable rail operations in Western Canada were not sufficient to offset losses in Eastern Canada where overcapacity has led to intense competition. Efforts to rationalize the railway systems in Eastern Canada have not yet been successful and various options continue to be pursued by the interested parties.

Focussed cost control efforts permitted the Corporation to significantly improve its loss on continuing operations over last year's record $1,005 million. However, continued aggressive cost reduction is still required to overcome its current financial crisis. As a result of CNR's 1993 restructuring of its rail operations, ten thousand employees have, or will be, laid-off.

In the fall of 1993 CNR began construction of a new $190 million tunnel between Sarnia, Ontario and Port Huron, Michigan. Big enough to accommodate double-stack container trains, the new tunnel will permit CNR to cut up to 12 hours off current transit times between central Canada and Chicago.

CANADIAN NATIONAL RAILWAY COMPANY

Chairman:	**Brian R.D. Smith**
President and Chief Executive Officer:	**Paul M. Tellier**
Head Office:	**935 de La Gauchetière, West** **Montreal, Quebec, H3B 2M9** **(514) 399 - 5430** **Facsimile: (514) 399 - 5479**
Incorporation and Status:	**1919; by the *Canadian National Railway Act* which was superseded by the 1955 *Act* of the same name (R.S.C.1985, c. C-19); Schedule III, Part II of the *Financial Administration Act*;** **Not an agent of Her Majesty.**
Appropriate Minister:	**The Honourable Douglas Young, P.C., M.P.** **Minister of Transport**
Auditors:	**Poissant Thibault, KPMG Peat Marwick Thorne and Raymond, Chabot, Martin, Paré**

FINANCIAL SUMMARY ($ million) Financial year ending December 31.

	1993	1992	1991	1990	1989
Financial Position					
Total Assets	7,106.0	7,051.6	6,964.7	7,028.3	7,105.0
Loans from Private Sector	1,999.0	1,752.5	1,750.7	1,712.0	1,769.0
Loans from Canada	100.0	117.0	133.0	147.6	161.0
Shareholder's Equity	2,412.0	2,491.1	3,531.4	3,545.6	3,540.0
Operations					
Revenues	4,208.0	4,051.5	4,057.2	4,078.0	4,202.0
Net Income	(79.0)	(1,005.2)	(14.3)	7.7	205.8
Cash Flow	194.0	199.2	214.8	251.8	485.8
Funding from Canada					
Budgetary (operating & capital expenditures)	0.0	5.8	10.0	14.0	17.0
Non Budgetary (loans and investments)	0.0	0.0	0.0	0.0	0.0
Payments to Canada					
Loan Repayments	17.0	16.0	15.0	13.0	12.0
Dividends	0.0	35.0	0.0	1.5	41.2
Employment	34,707	35,281	36,196	36,977	38,450

CANADIAN SALTFISH CORPORATION

MANDATE

To regulate interprovincial and export trade in saltfish from participating provinces, Quebec (Lower North Shore) and Newfoundland, to improve earnings of primary producers of cured cod fish.

BACKGROUND

In accordance with its enabling legislation, the Corporation buys all saltfish offered to it which is of reasonable quality, and conducts its operations on a self-sustaining financial basis. The Corporation has significantly downsized its operations due to the lower availability of product.

CORPORATE HIGHLIGHTS

The worsening state of cod stocks in Atlantic Canada resulted in reduced quotas and more fishing zones were subjected to imposed moratoriums on cod harvesting during fiscal year 1993-94.

Activity in 1993-94 was limited to operating three plants on the Quebec Lower North Shore and exporting saltfish produced by ten private operators. The total volume of all products exported by the Canadian Saltfish Corporation was 2.3 million pounds at a value of $2.2 million. Salted codfish exported in fiscal year 1993-94 amounted to 1.2 million pounds at a value of $1.8 million.

With the moratorium announced in the Groundfish Management Plan for 1994, all fishing zones within the area of jurisdiction of the Canadian Saltfish Corporation were closed to the harvesting of cod.

On May 11, 1994, the Minister of Fisheries and Oceans announced that following consultations with the saltfish industry and the Governments of Newfoundland and Labrador and Quebec, the Government of Canada intended to dissolve the Canadian Saltfish Corporation. While the Canadian Saltfish Corporation will technically exist for another year, it is virtually closed at the time of issuing its annual report.

CANADIAN SALTFISH CORPORATION

Chairman:	**Vacant**
President and Chief Executive Officer:	**Greg C. Viscount**
Head Office:	**Centennial Towers** **Mailing Station 1504** **200 Kent Street** **Ottawa, Ontario, K1A 0E6** **(613) 990 - 6930** **Facsimile: (613) 990 - 1514**
Incorporation and status:	**1970; by the *Saltfish Act* (R.S.C. 1985, c. S-4); Schedule III, Part I of the *Financial Administration Act*; An agent of Her Majesty.**
Appropriate Minister:	**The Honourable Brian Tobin, P.C., M.P.** **Minister of Fisheries and Oceans**
Auditor:	**Auditor General of Canada**

FINANCIAL SUMMARY ($ million) Financial year ending March 31.

	1993-94	1992-93	1991-92	1990-91	1989-90
Financial Position					
Total Assets	1.1	1.9	5.2	8.4	16.3
Loans from Private Sector	0.0	0.0	0.0	0.0	0.0
Loans from Canada	3.7	3.3	32.8	31.4	44.0
Shareholder's Equity	(3.0)	(1.9)	(29.0)	(25.6)	(34.7)
Operations					
Revenues	1.0	1.2	3.0	38.0	47.1
Net Income	(1.1)	(1.9)	(3.5)	(5.9)	(19.4)
Cash Flow	(0.9)	(1.4)	(2.7)	(4.0)	(7.3)
Funding from Canada					
Budgetary (operating & capital expenditures)	0.0	29.0	0.0	15.0	0.0
Non Budgetary (loans and investments)	0.3	0.4	1.5	0.0	3.0
Payments to Canada					
Loan Repayments	0.0	0.8	0.1	12.6	0.0
Dividends	0.0	0.0	0.0	0.0	0.0
Employment	6	13	14	28	46

CANADIAN WHEAT BOARD, THE

MANDATE

To market wheat and barley grown in Western Canada in the best interests of Western Canada's grain producers and to administer the *Prairie Grain Advance Payments Act.*

BACKGROUND

The Board is responsible for all exports of wheat and barley grown in the Prairie provinces and some parts of British Columbia. The Board thus provides Prairie farmers with a strong presence in the international grain market. The Board issues a government-guaranteed initial payment when the producer delivers grain. Receipts are pooled, and a final payment net of marketing costs is made after the full year's returns have been calculated. Deficits in individual grain pool accounts become, by statute, a charge upon the Consolidated Revenue Fund of Canada. The Board negotiates sales contracts directly with customers or through accredited exporters.

CORPORATE HIGHLIGHTS

The 1992 wheat crop was drastically downgraded because of a snow storm in August and frost in September. It resulted in one of the lowest grade patterns in Canadian Wheat Board history with approximately 45% of the crop graded Canada Western Feed wheat. Normally, less than 10% falls into this category. Compounding these problems, 1992-93 was a year of record world feed grain production.

Fortunately, sizable carryover from the year before enabled the Board to meet the high-grade, high-protein needs of its traditional customers.

CANADIAN WHEAT BOARD, THE

Chief Commissioner:	**Lorne F. Hehn**
Head Office:	**423 Main Street** **P.O. Box 816** **Winnipeg, Manitoba, R3C 2P5** **(204) 983 - 0239** **Facsimile: (204) 983 - 3841**
Incorporation and Status:	**1935; by *The Canadian Wheat Board Act* (R.S.C. 1985, c. C-24); Exempt from the provisions of Divisions I to IV of Part X of the *Financial Administration Act*; An agent of Her Majesty.**
Appropriate Minister:	**The Honourable Ralph Goodale, P.C., M.P.** **Minister of Agriculture and Agri-Food**
Auditors:	**Deloitte & Touche**

FINANCIAL SUMMARY ($ million) Financial year ending July 31.

	1992-93	1991-92	1990-91	1989-90	1988-89
Financial Position					
Total Assets	8,651.1	7,296.4	7,584.2	5,611.8	4,939.0
Loans from Private Sector	7,645.7	6,560.8	7,437.7	5,172.5	4,292.0
Loans from Canada	0.0	0.0	0.0	0.0	0.0
Shareholder's Equity	0.0	0.0	0.0	0.0	0.0
Operations					
Revenues	4,428.1	3,503.9	3,478.0	4,111.0	4,279.0
Surplus on Operations	892.5	678.3	27.0	359.0	552.0
Cash Flow	n.a	n.a	n.a	n.a	n.a
Funding from Canada					
Budgetary (operating & capital expenditures)	0.0	63.3	784.0	15.0	112.0
Non Budgetary (loans and investments)	0.0	0.0	0.0	0.0	0.0
Payments to Canada					
Loan Repayments	0.0	0.0	0.0	0.0	0.0
Dividends	0.0	0.0	0.0	0.0	0.0
Employment	443	443	430	430	434

CAPE BRETON DEVELOPMENT CORPORATION

MANDATE

To operate, reorganize and rationalize coal production from the Sydney coal field. Its current corporate goal is to be a dependable supplier of quality coal and related energy products by operating a safe, commercially viable corporation.

BACKGROUND

The Corporation was established in 1967 by the *Cape Breton Development Corporation Act* with a Coal Division and an Industrial Development Division. The Industrial Development Division was subsequently reorganized as a parent Crown corporation and became Enterprise Cape Breton Corporation on December 1, 1988.

The Coal Division (DEVCO) is the major employer in the Sydney/Glace Bay area with approximately 2,279 employees. The Corporation operates two collieries (Phalen and Prince) and fully-integrated support facilities including a coal preparation plant, a complete railway transportation system and a shipping pier.

CORPORATE HIGHLIGHTS

As stated in the Corporation's 1993-94 Annual Report, mining income increased by $4.8 million or 81% to $10.7 million in 1993-94 - the highest level ever reached. The Corporation's goal is financial self-sufficiency by April 1, 1995.

A new shiploading facility essential to continued export sales was completed at a total cost of $11.7 million, approximately $3.3 million under budget.

The Corporation's first environmental audit was conducted in 1992. Since then, 97% of the recommendations have been, or are in the process of being, completed. In addition, work has also begun to develop and implement a Corporate Environmental Management System.

During the year, the Corporation's activities contributed more than $204 million to the Cape Breton economy. This entailed $108 million in wages and benefits; $47 million in pensions; and approximately $45 million in goods and services involving Cape Breton suppliers.

CAPE BRETON DEVELOPMENT CORPORATION

Chairman:	**George S. Khattar**
President and Chief Executive Officer:	**Ernest Boutilier**
Head Office:	**95 Union Street P.O. Box 2500 Sydney, Nova Scotia, B1P 6K9 (902) 564 - 2848 Facsimile: (902) 842 - 2589**
Incorporation and Status:	**1967; by the *Cape Breton Development Corporation Act*, (R.S.C. 1985, c. C-25); Schedule III, Part I of the *Financial Administration Act*; An agent of Her Majesty.**
Appropriate Minister:	**The Honourable John Manley, P.C., M.P. Minister of Industry**
Auditor:	**Auditor General of Canada**

FINANCIAL SUMMARY ($ million) Financial year ending March 31.

	1993-94	1992-93	1991-92	1990-91	1989-90
Financial Position					
Total Assets	379.9	356.8	393.9	411.3	475.0
Loans from Private Sector	0.0	0.0	0.0	0.0	0.0
Loans from Canada	5.0	0.0	30.0	31.0	7.0
Shareholder's Equity	270.4	250.6	262.6	342.5	429.0
Operations					
Revenues	231.8	266.0	253.9	216.3	238.3
Net Income	(18.8)	(43.0)	(110.9)	(118.5)	(73.8)
Cash Flow	12.2	2.6	(8.9)	0.1	(9.4)
Funding from Canada					
Budgetary (operating & capital expenditures)	38.5	31.0	31.0	31.9	54.0
Non Budgetary (loans and investments)	5.0	0.0	0.0	24.0	0.0
Payments to Canada					
Loan Repayments	0.0	30.0	1.0	0.0	34.0
Dividends	0.0	0.0	0.0	0.0	0.0
Employment	2,279	2,335	2,554	2,852	2,983

DEFENCE CONSTRUCTION (1951) LIMITED

MANDATE

To contract for and supervise major military construction and maintenance projects required by the Department of National Defence, and to provide technical and administrative assistance concerning construction matters to government departments and agencies on a cost recovery basis.

BACKGROUND

Wartime Housing Limited, created in 1941, changed its name in 1951 to Defence Construction (1951) Limited. The construction and maintenance work undertaken by Defence Construction encompasses the full spectrum of defence installations from dockyards and airfields, to training facilities, test ranges and research laboratories.

Defence Construction is fully funded by the Department of National Defence through its capital budget.

CORPORATE HIGHLIGHTS

During the year Defence Construction further developed its strategy of identification and clarification of its future role and mandate given the fundamental changes taking place within its sole client, the Department of National Defence. Defence Construction has identified a number of non-traditional services such as management consulting and large-scale environmental decontamination project contracting which are adjacent and contiguous to its current services, as having significant potential.

In October 1994 at the Conference on *Corporate Governance: Improving the Effectiveness of Crown Corporation Boards* in Ottawa; the Auditor General presented Defence Construction with an Award for Excellence in Annual Reporting by Crown Corporations.

For the short-term future, the Corporation sees itself continuing to put primary emphasis on cost reduction.

DEFENCE CONSTRUCTION (1951) LIMITED

Chairman and President:	**J.R. Lorne Atchison**
Head Office:	**Sir Charles Tupper Building 3rd Floor, A Wing Riverside Drive Ottawa, Ontario, K1A 0K3 (613) 998 - 9548 Facsimile: (613) 998 - 1061**
Incorporation and Status:	**1951; by the *Defence Production Act* (R.S.C. 1985, c. D-1); continued under the *Canada Business Corporations Act,* November 21, 1978; Schedule III, Part I of the *Financial Administration Act*; An agent of Her Majesty.**
Appropriate Minister:	**The Honourable David Dingwall, P.C., M.P. Minister of Public Works and Government Services and Minister for the Atlantic Canada Opportunities Agency**
Auditor:	**Auditor General of Canada**

FINANCIAL SUMMARY ($ million) Financial year ending March 31.

	1993-94	**1992-93**	**1991-92**	**1990-91**	**1989-90**
Financial Position					
Total Assets	2.4	2.6	2.3	2.4	2.3
Loans from Private Sector	0.0	0.0	0.0	0.0	0.0
Loans from Canada	0.0	0.0	0.0	0.0	0.0
Shareholder's Equity	(0.8)	(1.8)	(2.0)	(2.4)	(2.9)
Operations					
Revenues	18.2	16.0	15.6	16.4	15.3
Net Income	1.0	0.2	0.4	0.5	(0.1)
Cash Flow	1.4	0.8	0.5	0.6	0.5
Funding from Canada					
Budgetary (operating & capital expenditures)	17.2	14.8	14.8	15.5	14.3
Non Budgetary (loans and investments)	0.0	0.0	0.0	0.0	0.0
Payments to Canada					
Loan Repayments	0.0	0.0	0.0	0.0	0.0
Dividends	0.0	0.0	0.0	0.0	0.0
Employment	241	240	233	244	264

ENTERPRISE CAPE BRETON CORPORATION

MANDATE

To promote and assist the financing and development of industry on the Island of Cape Breton, to provide employment outside the coal producing industry and to broaden the base of the economy of the Island.

BACKGROUND

On December 1, 1988, the Industrial Development Division of the Cape Breton Development Corporation became a separate Crown corporation, Enterprise Cape Breton Corporation (ECBC). To ensure co-ordination of development policies within the region, this Corporation reports to the Minister responsible through the Atlantic Canada Opportunities Agency (ACOA). Upon assuming the activities, programs and properties of the Industrial Development Division, the Corporation established revised programs to promote industrial development on Cape Breton Island and in the northeast part of the Nova Scotia mainland.

CORPORATE HIGHLIGHTS

The Enterprise Cape Breton Corporation 1993-94 Annual Report was not available at the time of production of this report.

ENTERPRISE CAPE BRETON CORPORATION

Chairperson and Chief Executive Officer:	**Mary Gusella**
Head Office:	**P.O. Box 1750** **15 Dorchester Street** **4th Floor** **Sydney, Nova Scotia, B1P 6T7** **(902) 564 - 3600** **Facsimile: (902) 564 - 3825**
Incorporation and Status:	**1988; by the *Government Organization Act, Atlantic Canada,* 1987 (S.C. 1988, c.50); Schedule III, Part I of the *Financial Administration Act*;** **An agent of Her Majesty.**
Appropriate Minister:	**The Honourable David Dingwall, P.C., M.P.** **Minister of Public Works and Government Services and Minister for the Atlantic Canada Opportunities Agency**
Auditor:	**Auditor General of Canada**

FINANCIAL SUMMARY ($ million) Financial year ending March 31.

	1993-94	1992-93	1991-92	1990-91	1989-90
Financial Position					
Total Assets	4.4	5.2	7.4	18.4	25.7
Loans from Private Sector	0.0	0.0	0.0	0.0	0.0
Loans from Canada	0.0	0.0	0.0	0.0	0.0
Shareholder's Equity	2.4	2.5	4.7	16.7	22.5
Operations					
Revenues	1.1	1.1	1.2	1.4	4.1
Net Income	(9.9)	(12.4)	(18.0)	(15.3)	(16.8)
Cash Flow	(9.9)	(10.1)	(9.4)	(7.7)	(8.8)
Funding from Canada					
Budgetary (operating & capital expenditures)	9.8	10.1	10.4	10.6	7.3
Non Budgetary (loans and investments)	0.0	0.0	0.0	0.0	0.0
Payments to Canada					
Loan Repayments	0.0	0.0	0.0	0.0	0.0
Dividends	0.0	0.0	0.0	0.0	0.0
Employment	45	45	50	50	71

EXPORT DEVELOPMENT CORPORATION

MANDATE

As Canada's official export credit agency, the Export Development Corporation (EDC) helps Canadian exporters compete more effectively in international markets by reducing financial risks in support of export trade by the provision of credit insurance, loans, guarantees, and other financial services.

BACKGROUND

As an export credit agency and an agent of Her Majesty in right of Canada, EDC benefits from Canada's membership in the Paris Club, an international group formed to deal on a multilateral basis with payment difficulties experienced by sovereign entities. Rescheduling agreements arranged are coupled with the International Monetary Fund disciplines to alleviate these payment problems. Canada compensates EDC for any financial consequences arising from Canada's participation in multilateral activities to provide debt and debt service reduction. On June 10, 1993, Royal assent was given to amendments to EDC's Act which expand its powers to provide assistance to exporters. In addition to its corporate activities, EDC administers the Canada Account, export insurance and financing in support of export transactions considered to be in the national interest. This Account is maintained separately from the Corporation's accounts, and is consolidated with the financial statements of the Government of Canada.

CORPORATE HIGHLIGHTS

In October 1994 at the Conference on *Corporate Governance: Improving the Effectiveness of Crown Corporation Boards*, the Auditor General presented EDC with an Award for Excellence in Annual Reporting by Crown Corporations.

The new powers incorporated into EDC's legited mandate in June 1993 enabled the Corporation to surpass the performance indicators established in its corporate plan. Total business volume, including business undertaken on behalf of the government, increased 38% from $9.5 billion in 1992 to $13.1 billion in 1993.

The substantial growth in financing volumes was due in part to two major transactions, one supporting a project by SNC Lavalier Inc. and Bombardier Inc. to build a heavy rail rapid transit system in Turkey and one supporting Babcock & Wilcox's participation in building a thermal power plant in Indonesia.

In 1993, EDC initiated an annual customer feedback process to establish a Customer Satisfaction Index. The results of the first survey gave a rating of 8.3 on a scale of 10 and identified specific areas for corrective action to target a rating of 8.6 for 1994.

The government and EDC engaged an independent consultant to assist in developing a methodology for determining the appropriate equity structure for EDC in support of its risk-taking strategies.

EDC forecasts that the conclusion of the North America Free Trade Agreement (NAFTA) will increase opportunities for Canadian exports in Mexico and likely result in increased demand for EDC services.

EXPORT DEVELOPMENT CORPORATION

Chairman:	**Alexander K. Stuart**
President and Chief Executive Officer:	**Paul E. Labbé**
Head Office:	**Place Export Canada** **14th Floor, 151 O'Connor Street** **P.O. Box 655** **Ottawa, Ontario, K1P 5T9** **(613) 598 - 2500** **Facsimile: (613) 598 - 2705**
Incorporation and Status:	**1969; by the *Export Development Act* (R.S.C. 1985, c. E-20);** **Schedule III, Part I of the *Financial Administration Act*;** **An agent of Her Majesty.**
Appropriate Minister:	**The Honourable Roy MacLaren, P.C., M.P.** **Minister for International Trade**
Auditor:	**Auditor General of Canada**

FINANCIAL SUMMARY ($ million) Financial year ending December 31.

	1993	1992	1991	1990	1989
Financial Position					
Total Assets	9,154	8,107	7,168	7,040	6,567
Loans from Private Sector	7,624	6,746	5,914	5,855	5,473
Loans from Canada	0	0	0	0	0
Shareholder's Equity	895	879	835	786	705
Operations					
Revenues	699	660	610	642	630
Net Income	41	44	33	6	-199
Cash Flow	250	145	190	103	134
Funding from Canada					
Budgetary (operating & capital expenditures)	0	0	0	0	0
Non Budgetary (loans and investments)	0	0	16	75	0
Payments to Canada					
Loan Repayments	0	0	0	0	0
Dividends	25	0	0	0	0
Canada Account:					
Financial Position					
Assets administered for Canada	2,333	1,906	1,537	1,256	1,027
Budgetary Appropriations	162	185	158	176	111
Employment	541	512	513	514	500

FARM CREDIT CORPORATION

MANDATE

To assist Canadian farmers establish and develop viable farm enterprises by providing long-term credit and other financial services.

BACKGROUND

The Farm Credit Corporation (FCC) makes mortgage loans to farmers for the purchase of farm land, livestock and machinery, for permanent farm improvements and for debt refinancing. FCC also lends to groups of farmers for the joint acquisition of agricultural facilities and equipment. A new *Farm Credit Corporation Act* was passed on April 2, 1993, that allows FCC to finance a wider range of farm related projects. The types of security that may be used for loans now includes general security agreements and negotiable securities. The previously legislated limit of $600,000 has been raised. The new *Act* allows FCC to participate in joint initiatives with the province and other institutions. The Corporation maintains six regional offices and 101 district and field offices. As at March 31, 1994, the FCC had 55,455 loans outstanding.

CORPORATE HIGHLIGHTS

In 1993-94, FCC experienced its largest lending volume in 10 years. Loans approved totalled $512 million compared to $277 million in 1992-93. Loan arrears were reduced to $37 million, down from $68 million in 1992-93. FCC recorded a net income of $28.3 million up from $20.4 million last year. Amended legislation in April 1993 permitted FCC to lend in other than its traditional markets. Lending in these new markets, such as the financing of nursery operations and rural municipal water projects, accounted for almost 10% of FCC's $512 million net lending activity during the year. FCC also purchased the lending portfolio of the New Brunswick Agricultural Development Board for $38 million in a joint effort with the province to reduce costly overlap and duplication in farm credit programs.

During the year, FCC created a properties division called Agri-Land Sales and Leasing to pursue its goal of substantially reducing its land inventory of 1.2 million acres and to help farm families re-establish land ownership. An agreement between FCC and Saskatchewan with respect to provincial six-year leaseback requirements has resulted in both parties discontinuing previously instituted legal proceedings.

FARM CREDIT CORPORATION

Chairperson and Chief Executive Officer:	**James J. Hewitt**
Head Office:	**1800 Hamilton Street P.O. Box 4320 Regina, Saskatchewan, S4P 4L3 (306) 780 - 8100 Facsimile: (306) 780-5875**
Incorporation and Status:	**1959; by the *Farm Credit Act* (R.S.C. 1993, c. C-95); Schedule III, Part I of the *Financial Administration Act*; An agent of Her Majesty.**
Appropriate Minister:	**The Honourable Ralph Goodale, P.C., M.P. Minister of Agriculture and Agri-Food**
Auditor:	**Auditor General of Canada**

FINANCIAL SUMMARY ($ million) Financial year ending March 31.

	1993-94	1992-93	1991-92	1990-91	1989-90
Financial Position					
Total Assets	3,773.6	3,623.0	3,687.0	3,810.4	3,817.0
Loans from Private Sector	1,049.9	798.1	813.0	1,128.0	1,216.0
Loans from Canada	2,303.1	2,417.9	2,486.7	2,432.0	2,549.0
Shareholder's Equity	316.9	288.6	268.1	146.6	(74.0)
Operations					
Revenues	373.1	391.9	405.8	426.2	422.7
Net Income	28.3	20.4	21.6	20.4	(2.7)
Cash Flow	39.1	53.4	42.6	23.6	8.2
Funding from Canada					
Budgetary	0.0	0.0	100.0	200.0	600.0
Non Budgetary	643.1	265.0	515.5	256.3	256.6
Payments to Canada					
Loan Repayments	760.0	335.7	338.5	388.3	998.7
Dividends	0.0	0.0	0.0	0.0	0.0
Employment	760	718	727	719	753

FEDERAL BUSINESS DEVELOPMENT BANK

MANDATE

To promote and assist the establishment and development of business enterprises in Canada by providing financial assistance, management counselling, management training, information and advice; and by giving particular attention to the needs of small and medium-sized business enterprises.

BACKGROUND

The Federal Business Development Bank (FBDB) provides financial assistance to Canadian firms by acting as a complementary lender and a source of equity financing. The Bank has two operating segments: Financial Services, comprised of the Loans Division and the Venture Capital Division, and Management Services which is partially supported by parliamentary appropriations.

The Bank also administers the Cultural Industries Development Fund on behalf of the Department of Canadian Heritage. The Fund was developed to provide flexible financing and management counselling to businesses involved in Canadian cultural industries. This Fund is not accounted for in the financial statements of the Bank.

CORPORATE HIGHLIGHTS

FBDB increased its lending volume by 11.6% last year to a gross amount of $715 million. These loans are expected to support the creation of more than 4,000 new jobs. Over the last five years FBDB has provided $3.4 billion in loans to small and medium-sized businesses resulting in a total new investment during the five year period of $5.1 billion.

The cost recovery portion of the management services program has steadily increased from 27.1% in fiscal year 1989 to 54.9% in 1994. During the past year, FBDB forged a strategic alliance with the Toronto Dominion Bank under which FBDB's Counselling Assistance to Small Enterprises (CASE) program will be available to the Bank's customers.

The Bank's 1994-1999 Corporate Plan envisages a status quo operating situation pending a review of the FBDB legislation, role and mandate.

FEDERAL BUSINESS DEVELOPMENT BANK

Chairman:	**Patrick J. Lavelle**
President and Chief Executive Officer:	**François Beaudoin**
Head Office:	**800 Victoria Square** **P.O. Box 335** **Tour de la Place Victoria** **Montreal, Quebec, H4Z 1L4** **(514) 283 - 5904** **Facsimile: (514) 283 - 2304**
Incorporation and Status:	**1974; by the *Federal Business Development Bank Act* (R.S.C. 1985, c. F-6); Schedule III, Part I of the *Financial Administration Act*; An agent of Her Majesty.**
Appropriate Minister:	**The Honourable John Manley, P.C., M.P.** **Minister of Industry**
Auditors:	**Raymond, Chabot, Martin, Paré and the Auditor General of Canada**

FINANCIAL SUMMARY ($ million) Financial year ending March 31.

	1993-94	1992-93	1991-92	1990-91	1989-90
Financial Position					
Total Assets	3,021.3	2,763.9	2,645.1	2,789.2	2,814.0
Loans from Private Sector	2,665.2	2,430.3	2,316.0	2,385.0	2,418.0
Loans from Canada	0.0	0.0	0.0	0.0	0.0
Shareholder's Equity	279.6	275.5	300.2	368.0	365.0
Operations					
Revenues	295.3	322.3	352.8	386.1	379.0
Net Income	4.1	(24.7)	(77.1)	2.7	10.3
Cash Flow	58.8	36.5	3.7	68.6	69.5
Funding from Canada					
Budgetary (operating & capital expenditures)	15.1	15.2	15.2	15.0	33.0
Non Budgetary (loans and investments)	0.0	0.0	9.4	0.0	0.0
Payments to Canada					
Loan Repayments	0.0	0.0	0.0	0.0	0.0
Dividends	0.0	0.0	0.0	0.0	0.0
Employment	954	989	1,057	1,096	1,111

FRESHWATER FISH MARKETING CORPORATION

MANDATE

The objectives of the Corporation are to market fish in an orderly manner to increase returns to fishers, and to promote international markets for, and increase interprovincial and export trade in, freshwater fish.

BACKGROUND

The Corporation was created to improve the economic situation of commercial fisheries in Western Canada. The Corporation has the exclusive right to market the products of the commercial fishery from the region it serves and is required by its enabling legislation to operate on a self-sustaining basis. Its products are sold in direct competition with producers from the Great Lakes area as well as competing against other fish products in an open marketplace.

CORPORATE HIGHLIGHTS

Lower product availability due to adverse water and ice conditions significantly reduced sales volumes in 1993-94. However, the continuing decline in the Canadian dollar against the U.S. dollar (the currency governing most sales) generated $1.2 million more than projected for ultimate distribution to fishers.

FRESHWATER FISH MARKETING CORPORATION

Chairperson:	**Maurice Blanchard**
President and General Manager:	**Tom Dunn**
Head Office:	**1199 Plessis Road Winnipeg, Manitoba, R3C 3L4 (204) 983 - 6600 Facsimile: (204) 983 - 6497**
Incorporation and Status:	**1969; by the *Freshwater Fish Marketing Act* (R.S.C. 1985, c. F-13); Schedule III, Part I of the *Financial Administration Act*; An agent of Her Majesty.**
Appropriate Minister:	**The Honourable Brian Tobin, P.C., M.P. Minister of Fisheries and Oceans**
Auditor:	**Auditor General of Canada**

FINANCIAL SUMMARY ($ million) Financial year ending April 30.

	1993-94	1992-93	1991-92	1990-91	1989-90
Financial Position					
Total Assets	15.9	19.2	22.3	18.6	30.0
Loans from Private Sector	9.4	12.6	10.3	3.2	1.7
Loans from Canada	0.5	0.8	5.4	9.9	21.1
Shareholder's Equity	4.2	4.0	3.8	3.4	3.3
Operations					
Revenues	38.8	45.8	51.5	52.1	49.4
Net Income	0.2	0.2	0.4	0.1	0.3
Cash Flow	1.5	1.7	2.0	1.7	1.6
Funding from Canada					
Budgetary (operating & capital	0.0	0.0	0.0	0.0	0.0
Non Budgetary (loans and investments)	0.0	0.0	0.0	0.0	7.1
Payments to Canada					
Loan Repayments	0.3	4.6	4.5	11.2	0.0
Dividends	0.0	0.0	0.0	0.0	0.0
Employment	38	40	42	40	41

GREAT LAKES PILOTAGE AUTHORITY, LTD.

MANDATE

To establish, operate, maintain and administer a safe and efficient pilotage service in the designated Canadian waters in the Great Lakes area in and around Ontario, in designated waters in Manitoba, and in the St. Lawrence River, south of the St. Lambert Lock in Quebec.

BACKGROUND

Established in 1972, the Authority provides pilotage services to the Great Lakes region. With the approval of the Governor in Council, the Authority has the power to make regulations in order to meet its objectives. These regulations may prescribe the establishment of compulsory pilotage areas; the ship or classes of ships which are subject to compulsory pilotage; the circumstances under which compulsory pilotage may be waived; the tariffs or pilotage charges; and the classes of licences and classes of pilotage certificates that may be issued. The Authority is required to set fair and reasonable tariffs that ensure self-sustaining operations.

CORPORATE HIGHLIGHTS

The Authority planned to perform 5,100 assignments during 1993. However, as a result of unexpected increased foreign steel and grain assignments, the number increased to 5,481, a 7.7% increase over 1992.

The number of pilots was reduced through a program encouraging early retirements. Between 1981 and the opening of the 1993 season, traffic levels decreased, and the Authority reduced its pilot strength by 64 full-time positions.

The Authority's proposed tariff increase gazetted in December 1992 was appealed to the National Transportation Agency (NTA). Formal appeals to the NTA and the resulting delays have had a negative effect on the Authority's revenues.

The Authority reported a small profit of approximately $40,000 in 1993. This is compared to a loss of $1.1 million in 1992. A break-even position is now forecast for 1994.

GREAT LAKES PILOTAGE AUTHORITY, LTD.

Chairman :	**Richard G. Armstrong**
Head Office:	**Second Floor 202 Pitt Street P.O. Box 95 Cornwall, Ontario, K6J 3P7 (613) 933 - 2991 Facsimile: (613) 932 - 3793**
Incorporation and Status:	**1972; pursuant to the *Pilotage Act* (R.S.C. 1985, c. P-14); Schedule III, Part I of the *Financial Administration Act;* incorporated under the *Canada Corporations Act* in May 1972 as a subsidiary of The St. Lawrence Seaway Authority; Not an agent of Her Majesty.**
Appropriate Minister:	**The Honourable Douglas Young, P.C., M.P. Minister of Transport**
Auditor:	**Auditor General of Canada**

FINANCIAL SUMMARY ($ million) Financial year ending December 31.

	1993	1992	1991	1990	1989
Financial Position					
Total Assets	2.3	2.9	2.8	2.8	4.3
Loans from Private Sector	0.0	0.0	0.0	0.0	0.0
Loans from Canada	0.0	0.0	0.0	0.0	0.0
Shareholder's Equity	(2.3)	(2.5)	(3.2)	(2.8)	(1.2)
Operations					
Revenues	9.4	8.3	8.0	8.4	9.4
Net Income	0.0	(1.1)	(1.9)	(1.6)	(0.3)
Cash Flow	0.3	(0.9)	(1.5)	(1.3)	0.1
Funding from Canada					
Budgetary (operating & capital	0.2	1.9	1.4	0.0	0.0
Non Budgetary (loans and investments)	0.0	0.0	0.0	0.0	0.0
Payments to Canada					
Loan Repayments	0.0	0.0	0.0	0.0	0.0
Dividends	0.0	0.0	0.0	0.0	0.0
Employment	81	89	90	98	103

HALIFAX PORT CORPORATION

MANDATE

Administration, management and control of the Halifax Harbour and all works and property within the harbour previously under the jurisdiction of the Canada Ports Corporation or, prior to February 24, 1983, the National Harbours Board.

BACKGROUND

The Halifax Port Corporation was established as a parent Crown corporation on June 1, 1984, pursuant to the national ports policy to create local port corporations at the major ports and harbours previously under the centralized administration of the National Harbours Board.

CORPORATE HIGHLIGHTS

In the past year, the Corporation increased its cargo volume and improved its financial performance. Container tonnage, as well as total cargo tonnage moving through the port in 1993 recorded a small increase compared with the previous year. The 1993 container results contrast with the previous three-year period when volumes declined by almost 40% because of the recession and competition from U.S. ports.

Total port cargo volume was 14.1 million tonnes, an increase of 1% compared with the previous year. Imports and exports of crude and refined oils remained level with the previous year at 8.3 million tonnes, while exports of gypsum increased by 3.8% to 2.6 million tonnes. Containerized cargo volumes increased by 2.2 % to 2.5 million tonnes. Roll-on roll-off cargo declined 25.4% to 224,000 tonnes while water-borne grain volumes increased by 23.6% to 356,000 tonnes.

During the year, a number of events took place that should contribute to improving the Corporation's prospects in the future. They include:
1) the opening of CN's new intermodal yard at the port,
2) the commencement of full double-stack rail service between Halifax and points through to Vancouver,
3) the introduction of advanced reefer equipment at the port permitting coast to coast movement of refrigerated cargo, and
4) the announcement that the Corporation's major tariffs would remain frozen in 1994, for the fourth consecutive year.

These events, along with the completion of the Sarnia/Port Huron Tunnel, will enhance the port's service offerings and improve its competitive position.

HALIFAX PORT CORPORATION

Chairman:	**Mervin Russell**
President and Chief Executive Officer:	**David F. Bellefontaine**
Head Office:	**Pier 19, 1215 Marginal Road** **Halifax, Nova Scotia, B3J 2P6** **(902) 426 - 3643** **Facsimile: (902) 426 - 7335**
Incorporation and Status:	**1984; letters patent of incorporation pursuant to subsection 25 (1) of the *Canada Ports Corporation Act* (R.S.C. 1985, c. C-9); Schedule III, Part II of the *Financial Administration Act*; An agent of Her Majesty.**
Appropriate Minister:	**The Honourable Douglas Young, P.C., M.P.** **Minister of Transport**
Auditors:	**Doane Raymond**

FINANCIAL SUMMARY ($ million) Financial year ending December 31.

	1993	1992	1991	1990	1989
Financial Position					
Total Assets	66.3	65.9	68.9	70.0	69.4
Loans from Private Sector	0.0	0.0	0.0	0.0	0.0
Loans from Canada	0.0	0.0	2.7	3.1	3.5
Shareholder's Equity	63.1	62.8	62.8	62.1	62.4
Operations					
Revenues	11.2	11.2	14.0	16.0	15.6
Net Income	0.3	negl.	1.5	3.7	4.6
Cash Flow	2.4	2.3	3.7	5.8	6.8
Funding from Canada					
Budgetary (operating & capital	0.0	0.0	0.0	0.0	0.0
Non Budgetary (loans and investments)	0.0	0.0	0.0	0.0	0.0
Payments to Canada					
Loan Repayments	0.0	2.7	0.4	0.4	0.3
Dividends	0.0	0.1	2.2	2.5	0.6
Employment	63	88	93	97	92

INTERNATIONAL DEVELOPMENT RESEARCH CENTRE

MANDATE

To initiate, encourage, support and conduct research into the problems of the developing regions of the world and into the means for applying and adapting scientific, technical and other knowledge to the economic and social advancement of those regions.

BACKGROUND

The International Development Research Centre (IDRC) was created to help resolve, through research carried out by Third World scientists, the problems of poverty in developing countries. To this end, it has established the following main program areas: Environment and Natural Resources, Health Sciences, Social Sciences, Information Sciences and Systems, and Corporate Affairs and Initiatives. Further to the Earth Summit in Rio de Janeiro in June 1992, the activities of IDRC have been broadened to emphasize sustainable development issues.

A new three- year Corporate Plan Framework was approved by the Board in March 1993. It establishes six core themes for environment and development.

CORPORATE HIGHLIGHTS

Budgetary appropriations for 1993-94 of $115 million were increased by $27 million in February 1994. Of this supplemental amount, $12 million was earmarked to finance a Micronutrient Initiative, the balance was used to underwrite a health-support package in Africa. In 1993-94 contract research income was 42% greater than projected in the 1993-94 budget.

According to IDRC's 1993-94 Annual Report, the Centre has begun to reap the benefits of the steps taken during the past two years to reduce its operating expenditures in line with government directives. This has been achieved by improving the cost structure of the Centre and increasing the resources earmarked for program expenditures. The Centre will continue to work on these two fronts, generating additional revenues and reducing its operational costs.

The Centre has implemented a policy to ensure the full recovery of costs associated with working with other organizations, and established a new funding-diversification unit that oversees the implementation of this policy and explores all avenues available to increase the Centre's revenues.

INTERNATIONAL DEVELOPMENT RESEARCH CENTRE

Chairperson:	**Hon. Flora MacDonald**
Chief Executive Officer:	**Keith A. Bezanson**
Head Office:	**13th Floor, 250 Albert Street P.O. Box 8500 Ottawa, Ontario, K1G 3H9 (613) 236 - 6163 Facsimile: (613) 238 - 7230**
Incorporation and Status:	**1970; by the *International Development Research Centre Act*, (R.S.C. 1985, c. I-19); Exempt from provisions of Divisions I to IV of Part X of the *Financial Administration Act*; Not an agent of Her Majesty.**
Appropriate Minister:	**The Honourable André Ouellet, P.C., M.P. Minister of Foreign Affairs**
Auditor:	**Auditor General of Canada**

FINANCIAL SUMMARY ($ million) Financial year ending March 31.

	1993-94	**1992-93**	**1991-92**	**1990-91**	**1989-90**
Financial Position					
Total Assets	41.3	18.1	19.3	24.7	22.1
Loans from Private Sector	0.0	0.0	0.0	0.0	0.0
Loans from Canada	0.0	0.0	0.0	0.0	0.0
Shareholder's Equity	24.9	0.1	1.9	8.6	4.0
Operations					
Revenues	153.7	127.1	123.5	122.5	121.1
Net Income	24.9	1.9	(10.4)	4.5	(9.9)
Cash Flow	26.6	3.4	(4.5)	6.0	(8.5)
Funding from Canada					
Budgetary (operating & capital expenditures)	142.0	117.1	115.8	114.1	108.5
Non Budgetary (loans and investments)	0.0	0.0	0.0	0.0	0.0
Payments to Canada					
Loan Repayments	0.0	0.0	0.0	0.0	0.0
Dividends	0.0	0.0	0.0	0.0	0.0
Employment	337	338	415	444	464

LAURENTIAN PILOTAGE AUTHORITY

MANDATE

To establish, operate, maintain and administer a safe and efficient pilotage service in the St. Lawrence River between Les Escoumins and the north end of the St. Lambert Lock, and in the Saguenay River and the Chaleur Bay.

BACKGROUND

Established in 1972, the Authority provides pilotage services to the lower St. Lawrence River region. With the approval of the Governor in Council, it has the power to make regulations in order to meet its objectives. These regulations may prescribe the establishment of compulsory pilotage areas; the ship or classes of ships which are subject to compulsory pilotage; the circumstances under which compulsory pilotage may be waived; the tariffs or pilotage charges; and the classes of licences and classes of pilotage certificates that may be issued. The Authority is required to set fair and reasonable tariffs that ensure self-sustaining operations.

CORPORATE HIGHLIGHTS

The Authority's operations for 1993 resulted in a net loss of $5.97 million. The number of pilotage assignments, reflecting decreased traffic, has decreased by 5.5% in the Laurentian region contributing to the loss. To improve financial conditions, tariff increases were published in 1992 providing for 3% and 7% increases to take effect in July 1992 and January 1993. However, a notice of objection was filed before the National Transportation Agency (NTA) by the Canadian Ship Owners Association. In a decision dated October 19, 1993, the Agency decided that these tariffs not be implemented. The Authority has addressed a petition to the Governor-in-Council requesting that the Agency decision be rescinded.

LAURENTIAN PILOTAGE AUTHORITY

Chairman: **Jacques Marquis**

Head Office: **6th Floor**
715 Victoria Square
Montreal, Quebec, H2Y 2H7
(514) 283 - 6320
Facsimile: (514) 496 - 2409

Incorporation and Status: **1972; pursuant to the *Pilotage Act* (R.S.C. 1985, c. P-14); Schedule III, Part I of the *Financial Administration Act*; Not an agent of Her Majesty.**

Appropriate Minister: **The Honourable Douglas Young, P.C., M.P.**
Minister of Transport

Auditor: **Auditor General of Canada**

FINANCIAL SUMMARY ($ million) Financial year ending December 31.

	1993	1992	1991	1990	1989
Financial Position					
Total Assets	6.9	7.1	6.9	5.1	5.9
Loans from Private Sector	0.8	1.1	1.4	1.3	0.8
Loans from Canada	0.0	0.0	0.0	0.0	0.0
Shareholder's Equity	(0.7)	(0.3)	(1.7)	(1.3)	(1.1)
Operations					
Revenues	27.0	27.5	29.0	28.6	28.0
Net Income	(6.0)	(4.9)	(5.1)	(2.2)	(1.8)
Cash Flow	(5.9)	(4.8)	(5.0)	(2.1)	(1.6)
Funding from Canada					
Budgetary (operating & capital expenditures)	6.2	6.3	4.8	2.1	1.6
Non Budgetary (loans and investments)	0.0	0.0	0.0	0.0	0.0
Payments to Canada					
Loan Repayments	0.0	0.0	0.0	0.0	0.0
Dividends	0.0	0.0	0.0	0.0	0.0
Employment	245	256	256	270	281

MARINE ATLANTIC INC.

MANDATE

To acquire, establish, manage and operate a marine transportation service; a marine maintenance, repair and refit service; a marine construction business and any service or business related thereto.

BACKGROUND

Marine Atlantic Inc. provides marine ferry services to Atlantic Canada. Originally it was a subsidiary of the Canadian National Railway Company and pursuant to the *Marine Atlantic Inc. Acquisition Authorization Act* (S.C. 1986, C. 36) proclaimed on June 27, 1986, the company's name was changed to Marine Atlantic Inc. and was added to Part I of Schedule III of the *Financial Administration Act*. In 1987 the Corporation acquired Coastal Transport Limited and the Newfoundland Dockyard Corporation of St. John's. Coastal Transport Limited operates a ferry between New Brunswick ports. The Newfoundland Dockyard Corporation operates a ship repair and refit facility in St. John's, Newfoundland.

CORPORATE HIGHLIGHTS

Traffic activity in 1993 increased over 1992. With 15 ships and 2,774 employees, the company transported more than 2,519 million passengers and one million vehicles in 1993. Focussed marketing campaigns contributed to significant summer traffic increases on the company's Fundy operations, while the Newfoundland ferry service carried the highest number of passengers in its 96-year history. The development of a tourism component in the company's coastal Labrador service was inaugurated, under the product name "Cruising Labrador".

Passengers carried on all service totalled 2,519,572 compared to 2,403,359 in 1992. Passenger-related vehicles were up 5% to 879,465, while commercial vehicles saw a 6% increase, bringing the total to 243,359. Passenger satisfaction continues to be high with 95% of passengers indicating satisfaction with the overall level of service provided.

The government's decision to proceed with the construction of a bridge linking Prince Edward Island and New Brunswick will ultimately mean a significant decrease in passenger base and a dramatic adjustment in the overall structure of the Corporation.

MARINE ATLANTIC INC.

Chairperson:	**Alan Scales**
President and Chief Executive Officer:	**Roderick J. Morrison**
Head Office:	**100 Cameron Street** **Moncton, New Brunswick, E1C 5Y6** **(506) 851 - 3600** **Facsimile: (506) 851 - 3786**
Incorporation and Status:	**1979; by the *Canada Business Corporations Act*. Status and ownership changed as of December 31, 1986 (S.C. 1986, C. 36); Schedule III, Part I of the *Financial Administration Act*; Not an agent of Her Majesty.**
Appropriate Minister:	**The Honourable Douglas Young, P.C., M.P.** **Minister of Transport**
Auditors:	**KPMG Peat Marwick Thorne and the Auditor General of Canada**

FINANCIAL SUMMARY ($ million) Financial year ending December 31.

	1993	1992	1991	1990	1989
Financial Position					
Total Assets	403.1	414.3	448.5	480.0	484.0
Loans from Private Sector	0.0	0.0	0.0	0.0	0.2
Loans from Canada	0.0	0.0	0.0	0.0	0.0
Shareholder's Equity	(13.4)	(13.1)	(3.3)	(2.9)	(1.4)
Operations					
Revenues	200.5	202.9	197.5	198.4	194.9
Net Income	(0.3)	(0.3)	(0.4)	(0.2)	(3.6)
Cash Flow	(3.2)	(0.7)	(9.9)	(0.1)	(3.0)
Funding from Canada					
Budgetary (operating & capital expenditures)	128.3	122.8	127.2	132.8	271.9
Non Budgetary (loans and investments)	0.0	0.0	0.0	0.0	0.0
Payments to Canada					
Loan Repayments	0.0	0.0	0.0	0.0	0.0
Dividends	0.0	0.0	0.0	0.0	0.0
Employment	2,127	2,175	2,240	2,300	2,463

MONTREAL PORT CORPORATION

MANDATE

To administer, manage and control the Montreal Harbour and all the works and property within the harbour previously under the jurisdiction of the Canada Ports Corporation or, prior to February 24, 1983, the National Harbours Board.

BACKGROUND

The Montreal Port Corporation was established as a parent Crown corporation on July 1, 1983, pursuant to the national ports policy to create local port corporations at the major ports and harbours previously under the centralized administration of the National Harbours Board.

CORPORATE HIGHLIGHTS

Throughout 1993, the Montreal Port Corporation continued to take initiatives to stimulate port activity in order to make the entire port of Montreal system more competitive. In addition, the Corporation again made cost control one of its top priorities so that it can continue to maintain its financial self-sufficiency and invest in the development of the port. In 1993, container traffic, grain traffic and general cargo traffic increased. The Port of Montreal Corporation was successful in maintaining its containerized general cargo traffic at record levels. Container traffic increased by 2.9% to reach 5.9 million tonnes. General cargo traffic totalled 6.6 million tonnes in 1993, an increase of 100,000 tonnes or 1.9% . Petroleum products traffic dropped to a record low to 4 million tonnes, a decrease of 1.1 million tonnes or 21%. Grain traffic totalled 2.1 million tonnes in 1993 an increase of 5.6%. Other dry and liquid bulk traffic totalled 3.8 million tonnes in 1993, a decrease of about 200,000 tonnes or 3.5%.

The Corporation reported a net operating income of $1.7 million in 1993 despite a $0.9 million decrease in revenues from operations. The figure was achieved following a $1.7 million reduction in operating and administrative expenses. To reduce costs, the Corporation made changes to working methods and improved administration at all levels. In 1993, the Corporation froze all its tariffs and improved its tariff incentive program for containerized cargo. The Corporation also introduced specific tariff rebates to stimulate traffic in the non-containerized general cargo sector, as well as certain dry and liquid bulk traffic.

MONTREAL PORT CORPORATION

Chairman:	**André Gingras**
President and Chief Executive Officer:	**Dominic J. Taddeo**
Head Office:	**Montreal Port Building** **Cité du Havre, Wing No. 1** **Montreal, Quebec, H3C 3R5** **(514) 283 - 7042** **Facsimile: (514) 283 - 0829**
Incorporation and Status:	**1983; letters patent of incorporation pursuant to subsection 25(1) of the *Canada Ports Corporation Act* (R.S.C. 1985, c. C-9); Schedule III, Part II of the *Financial Administration Act*; An agent of Her Majesty.**
Appropriate Minister:	**The Honourable Douglas Young, P.C., M.P.** **Minister of Transport**
Auditors:	**Samson Bélair and Deloitte & Touche**

FINANCIAL SUMMARY ($ million) Financial year ending December 31.

	1993	1992	1991	1990	1989
Financial Position					
Total Assets	226.6	222.9	218.3	231.2	230.9
Loans from Private Sector	0.0	0.0	0.0	0.0	0.0
Loans from Canada	4.7	5.2	5.7	6.1	6.6
Shareholder's Equity	209.3	204.6	201.0	195.5	210.6
Operations					
Revenues	56.3	57.4	58.6	63.2	60.4
Net Income	11.4	5.0	8.1	10.8	5.2
Cash Flow	16.5	15.1	18.4	20.5	16.4
Funding from Canada					
Budgetary (operating & capital expenditures)	0.0	0.0	0.0	0.0	0.0
Non Budgetary (loans and investments)	0.0	0.0	0.0	0.0	0.0
Payments to Canada					
Loan Repayments	0.5	0.5	0.5	0.4	0.4
Dividends	6.8	1.3	15.0	13.6	3.3
Employment	349	401	475	520	560

NATIONAL ARTS CENTRE CORPORATION

MANDATE

To operate and maintain the Centre, to develop the performing arts in the national capital region and to assist the Canada Council in the development of the performing arts elsewhere in Canada.

BACKGROUND

The National Arts Centre Corporation (NAC) leases the National Arts Centre complex from Public Works and Government Services Canada without charge. The Corporation's revenues meet less than 50% of its expenses with payments from Canada covering the balance. The Corporation is a charitable organization for the purposes of the *Income Tax Act.*

CORPORATE HIGHLIGHTS

The NAC filed an application with the CRTC for a licence to operate *The Arts Network/Le Reseau des Arts* — a network specializing in the performing arts. The network is a subsidiary wholly-owned by the NAC. It will be self-financed by cablevision subscription fees.

In January 1993, the NAC unveiled ArtsForum, a computerized research system designed to assist the Centre, other performing arts organizations and others to conduct interactive market surveys. The service is available to non-profit performing arts organizations and on a commercial basis to other clients. It is capable of processing responses from over 100 wireless, portable keypads.

A sophisticated room booking service was introduced in the NAC to better schedule activities in the Centre. The software will be made available at no cost to non-profit cultural organizations and art centres across the country.

In October 1992, the NAC introduced the National Arts Centre Award for Distinguished Contribution to Touring, and presented it to the Canadian Arts Presenters Association. A jury will annually consider nominations for the award.

In May 1993, the second annual *NAC Forum on Cultural Development* was attended by representatives from arts organizations and associations, corporate and academic communities, and federal departments and agencies responsible for or interested in cultural development. Many initiatives are planned to be undertaken as a result of this forum.

1993-94 was the NAC's 25th anniversary, it was celebrated by NAC productions as well as by fostering the betterment of the performing arts across Canada.

NATIONAL ARTS CENTRE CORPORATION

Acting Chairman:	**Madeleine Panaccio**
Chief Executive Officer:	**Joan Pennefather**
Head Office:	**53 Elgin Street P.O. Box 1534, Station B Ottawa, Ontario, K1P 5W1 (613) 947- 7000 Facsimile: (613) 996 - 9578**
Incorporation and Status:	**1966; by the *National Arts Centre Act* (R.S.C. 1985, c. N-3); Exempt from the provisions of Divisions I to IV of Part X of the *Financial Administration Act*; Not an agent of Her Majesty.**
Appropriate Minister:	**The Honourable Michel Dupuy, P.C., M.P. Minister of Canadian Heritage**
Auditor:	**Auditor General of Canada**

FINANCIAL SUMMARY ($ million) Financial year ending August 31.

	1992-93	1991-92	1990-91	1989-90	1988-89
Financial Position					
Total Assets	17.6	16.5	17.5	7.7	7.6
Loans from Private Sector	0.0	0.0	0.0	1.0	0.0
Loans from Canada	0.0	0.0	0.0	0.0	0.0
Shareholder's Equity	9.8	9.2	8.4	(0.1)	0.3
Operations					
Revenues	14.8	18.7	16.7	18.8	20.7
Net Income	(21.5)	(21.0)	(20.0)	(16.8)	(16.3)
Cash Flow	(18.9)	(18.3)	(17.6)	(15.9)	(15.2)
Funding from Canada					
Budgetary (operating & capital expenditures)	21.5	19.7	24.2	17.7	17.4
Non Budgetary (loans and investments)	0.0	0.0	0.0	0.0	0.0
Payments to Canada					
Loan Repayments	0.0	0.0	0.0	0.0	0.0
Dividends	0.0	0.0	0.0	0.0	0.0
Employment	281	307	310	313	315

NATIONAL CAPITAL COMMISSION

MANDATE

To prepare plans for and assist in the development, conservation and improvement of the national capital region; to organize, sponsor and promote public activities or events in the region that enrich the cultural and social fabric of Canada; and to co-ordinate federal policies and programs for public activities and events related to the national capital region.

BACKGROUND

The National Capital Commission (NCC) had its origins in 1899 with the creation of the Ottawa Improvement Commission (1899-1927), succeeded by the Federal District Commission (1927-1958) and the National Capital Commission in 1958.

CORPORATE HIGHLIGHTS

Since 1984 the NCC's federal appropriations have been reduced from \$105.3 million to \$89.5 million. Faced with declining appropriations from the government the NCC has turned to other levels of government, the private sector, users of its services and entrepreneurial ways to generate revenues to support its programs.

A 1993 survey demonstrated that most Canadians regarded each of the NCC's three programs (Canada Day, WinterLude and Cultures Canada) as inspiring patriotism.

Winter queries to the NCC's information line increased by 107%. For the first time calls from outside the region surpassed those from within. WinterLude was maintained at the same level despite a decrease in NCC funding.

During the next year the NCC will review its funding strategy for real asset management and will identify new strategies other than land sale proceeds, to deal with the funding shortfall.

NATIONAL CAPITAL COMMISSION

Chairman:	**Marcel Beaudry**
Executive Vice-President and General Manager:	**John D.V. Hoyles**
Head Office:	**202-40 Elgin Street Ottawa, Ontario, K1P 1C7 (613) 239 - 5555 Facsimile: (613) 239 - 5039**
Incorporation and Status:	**1958; by the *National Capital Act* (R.S.C. 1985, c. N-4); Amended in 1988 (S.C. 1988, c. 54); Schedule III, Part I of the *Financial Administration Act*; An agent of Her Majesty.**
Appropriate Minister:	**The Honourable Michel Dupuy, P.C., M.P. Minister of Canadian Heritage**
Auditor:	**Auditor General of Canada**

FINANCIAL SUMMARY ($ million) Financial year ending March 31.

	1993-94	1992-93	1991-92	1990-91	1989-90
Financial Position					
Total Assets	369.9	362.5	365.9	350.9	343.7
Loans from Private Sector	0.0	0.0	0.0	0.0	0.0
Loans from Canada	0.0	0.0	0.0	0.0	0.0
Shareholder's Equity	330.0	330.2	336.3	317.4	301.2
Operations					
Revenues	21.6	24.0	41.0	40.1	33.1
Net Income	(12.8)	(12.7)	8.2	6.6	6.3
Cash Flow	(3.1)	(4.0)	(0.1)	(2.4)	10.8
Funding from Canada					
Budgetary (operating & capital expenditures)	89.5	89.7	89.9	90.1	94.1
Non Budgetary (loans and investments)	0.0	0.0	0.0	0.0	0.0
Payments to Canada					
Loan Repayments	0.0	0.0	0.0	0.0	0.0
Dividends	0.0	0.0	0.0	0.0	0.0
Employment	802	727	765	750	792

NATIONAL GALLERY OF CANADA

MANDATE

To develop, maintain and make known, throughout Canada and internationally, a collection of works of art, historic and contemporary, with special, but not exclusive, reference to Canada, and to further the knowledge, understanding, and enjoyment of art in general among all Canadians.

BACKGROUND

The National Gallery was founded in 1880 and was governed by various Acts of Parliament from 1913 to 1968 when the National Museums of Canada came into being. On July 1, 1990, the National Gallery of Canada became a separate parent Crown corporation under the *Museums Act*. The National Gallery also operates the Canadian Museum of Contemporary Photography.

CORPORATE HIGHLIGHTS

Following the positive results of a pilot project, a policy of free admission except for certain temporary exhibitions to the Gallery was implemented in 1993.

In 1993-94, 299 Canadian works were acquired by purchase or donation. In addition, 140 non-Canadian works were donated and acquired, and a total of 121 works were restored. In its 1993-94 season, 23 exhibitions were organized in the Gallery, and 15 travelling exhibitions were toured across Canada. The total number of works on loan was 618.

In March 1994, a risk management policy focussing on the identification, minimization and containment of risk to people in the Gallery and to its collections, information and property was developed and put into place.

NATIONAL GALLERY OF CANADA

Chairperson:	**Jean-Claude Delorme**
Director:	**Shirley L. Thomson**
Head Office:	**380 Sussex Drive P.O. Box 427, Station A Ottawa, Ontario, K1N 9N4 (613) 990 - 1985 Facsimile: (613) 990 - 9810**
Incorporation and Status:	**July 1, 1990; by the *Museums Act* (S.C. 1990, c. 3); Schedule III, Part I of the *Financial Administration Act*; An agent of Her Majesty.**
Appropriate Minister:	**The Honourable Michel Dupuy, P.C., M.P. Minister of Canadian Heritage**
Auditor:	**Auditor General of Canada**

FINANCIAL SUMMARY ($ million) Financial year ending March 31.

	1993-94	1992-93	1991-92	1990-91
Financial Position				
Total Assets	17.4	18.4	20.7	23.4
Loans from Private Sector	0.0	0.0	0.0	0.0
Loans from Canada	0.0	0.0	0.0	0.0
Shareholder's Equity	8.5	9.4	9.9	9.8
Operations				
Revenues	3.2	2.8	2.8	2.6
Net Income	(29.6)	(29.8)	(31.3)	(20.7)
Cash Flow	(27.9)	(27.7)	(29.0)	(19.1)
Funding from Canada				
Budgetary (operating & capital expenditures)	28.7	29.3	31.4	23.2
Non Budgetary (loans and investments)	0.0	0.0	0.0	0.0
Payments to Canada				
Loan Repayments	0.0	0.0	0.0	0.0
Dividends	0.0	0.0	0.0	0.0
Employment	284	286	213	258

NATIONAL MUSEUM OF SCIENCE AND TECHNOLOGY

MANDATE

To foster scientific and technological literacy throughout Canada by establishing, maintaining and developing a collection of scientific and technological objects, with special, but not exclusive, reference to Canada, and by demonstrating the products and processes of science and technology and their economic, social and cultural relationships with society.

BACKGROUND

The National Museum of Science and Technology (NMST) was founded in 1967. On July 1, 1990, the Museum was established as a separate parent Crown corporation under the *Museums Act*. The Museum was previously under the jurisdiction of the National Museums of Canada. The Museum also operates the affiliated National Aviation Museum (founded in 1960).

CORPORATE HIGHLIGHTS

NMST has successfully concluded negotiations to assume responsibility for the custody and control of the management of all of the Corporation's facilities and services. Plans for the consolidation of buildings and improvement to existing facilities are now underway.

The National Museum of Science and Technology has been able to maintain visitor attendance levels and to increase the percentage of artifact cataloguing at both the Museum and the National Aviation Museum.

NATIONAL MUSEUM OF SCIENCE AND TECHNOLOGY

Chairperson:	**David M. Culver**
Director:	**Geneviève Sainte-Marie**
Head Office:	**2380 Lancaster Road** **P.O. Box 9724, Ottawa Terminal** **Ottawa, Ontario, K1G 5A3** **(613) 991 - 3044** **Facsimile: (613) 990 - 3636**
Incorporation and Status:	**1990, by the *Museums Act* (S.C. 1990, c. 3);** **Schedule III, Part I of the *Financial Administration Act*;** **An agent of Her Majesty.**
Appropriate Minister:	**The Honourable Michel Dupuy, P.C., M.P.** **Minister of Canadian Heritage**
Auditor:	**Auditor General of Canada**

FINANCIAL SUMMARY ($ million) Financial year ending March 31.

	1993-94	**1992-93**	**1991-92**	**1990-91**
Financial Position				
Total Assets	9.3	9.4	10.1	11.1
Loans from Private Sector	0.0	0.0	0.0	0.0
Loans from Canada	0.0	0.0	0.0	0.0
Shareholder's Equity	6.1	5.4	5.5	5.0
Operations				
Revenues	2.2	1.6	1.0	0.6
Net Income	(15.5)	(16.2)	(16.6)	(11.5)
Cash Flow	(14.6)	(15.0)	(15.5)	(10.7)
Funding from Canada				
Budgetary (operating & capital expenditures)	16.2	16.1	17.1	14.8
Non Budgetary (loans and investments)	0.0	0.0	0.0	0.0
Payments to Canada				
Loan Repayments	0.0	0.0	0.0	0.0
Dividends	0.0	0.0	0.0	0.0
Employment	218	227	184	186

OLD PORT OF MONTREAL CORPORATION INC.

MANDATE

To promote the development of the lands of the Old Port of Montreal and to develop, administer, manage and maintain Crown property there.

BACKGROUND

Since February 1982, the Corporation has managed the Crown lands at the Old Port site, including lands transferred to the Crown in 1983 from Canada Ports Corporation. Planning and consultation with the public and with the other levels of government have resulted in plans for major developments on the lands. The development of the Eastern and Western sectors was completed in 1992. In order to finish development of the Central Sector, the Old Port of Montreal Corporation Inc. is seeking new partnerships with the private sector.

CORPORATE HIGHLIGHTS

Although primarily active during the summer months, the Old Port is an important component of the regional tourism industry. Some 4 million people visited the site throughout the year, making it one of Montreal's most important recreational sites. The Corporation estimates that some 360,000 visits to the city were made because of the Old Port. These visitors spent close to $80 million in Montreal, and some $2.6 million in the Old Port itself. The Corporation and its partners received over 1.3 million paid admissions to activities on the site.

The government has advised the Corporation of its intention to fund only those projects deemed essential for public safety and security. The Corporation has stated the objective of becoming financially independent regarding operational expenditures by 1997-98. A committee of the board of directors has studied self-financing for the Corporation and concluded that revitalizing the Centre Sector is the only source of new funds that would allow the Corporation to attain operational self-sufficiency.

OLD PORT OF MONTREAL CORPORATION INC.

Chairperson:	**Bernard Lemarre**
Vice-President Director General:	**Pierre Emond**
Head Office:	**333 rue de la Commune West** **Montreal, Quebec, H2Y 2E2** **(514) 283 - 5256** **Facsimile: (514) 283 - 8423**
Incorporation and Status:	**1981; under the Canada Business Corporations Act.** **A wholly-owned subsidiary of Canada Lands Company Limited; directed by Order in Council (PC 1987-86) to report as if it were a parent Crown corporation.** **An agent of Her Majesty.**
Appropriate Minister:	**The Honourable David Dingwall, P.C., M.P.** **Minister of Public Works and Government Services and Minister for the Atlantic Canada Opportunities Agency**
Auditor:	**Auditor General of Canada**

FINANCIAL SUMMARY ($ million) Financial year ending March 31.

	1993-94	1992-93	1991-92	1990-91	1989-90
Financial Position					
Total Assets	4.0	8.0	16.5	6.1	2.8
Loans from Private Sector	0.0	0.0	0.0	0.0	0.0
Loans from Canada	0.0	0.0	0.0	0.0	0.0
Shareholder's Equity	0.0	0.0	0.0	0.0	0.0
Operations					
Revenues	7.8	5.9	4.1	4.5	3.2
Net Income	(5.0)	(22.3)	(42.5)	(14.5)	(4.4)
Cash Flow	(3.2)	(3.8)	(3.9)	(3.6)	(2.7)
Funding from Canada					
Budgetary (operating & capital expenditures)	9.7	21.5	40.5	13.6	6.0
Non Budgetary (loans and investments)	0.0	0.0	0.0	0.0	0.0
Payments to Canada					
Loan Repayments	0.0	0.0	0.0	0.0	0.0
Dividends	0.0	0.0	0.0	0.0	0.0
Employment	67	74	64	49	42

PACIFIC PILOTAGE AUTHORITY

MANDATE

To establish, operate, maintain and administer, a safe and efficient pilotage service within designated waters in and around British Columbia.

BACKGROUND

Established in 1972, the Authority provides pilotage services to the British Columbia region. With the approval of the Governor in Council, it has the power to make regulations in order to meet its objectives. These regulations may prescribe the establishment of compulsory pilotage areas; the ship or classes of ships which are subject to compulsory pilotage; the circumstances under which compulsory pilotage may be waived; the tariffs or pilotage charges; and the classes of licences and classes of pilotage certificates that may be issued. The Authority is required to set fair and reasonable tariffs that ensure self-sustaining operations.

CORPORATE HIGHLIGHTS

In 1993, there was no increase in tariffs, and although cruise ship sailing which requires a heavy commitment of pilots increased, bulk shipping declined. In total, the number of pilotage assignments decreased 6.8% to 12,871. Revenues fell 5.4% from 1992 to $31 million. Net income for the year declined to $67,000 from $1.7 million recorded in 1992.

PACIFIC PILOTAGE AUTHORITY

Chairman:	**Richard I. Nelson**
Head Office:	**Suite 300** **1199 West Hastings Street** **Vancouver, British Columbia, V6E 4G9** **(604) 666 - 6771** **Facsimile: (604) 666 - 1647**
Incorporation and Status:	**1972; pursuant to the *Pilotage Act* (R.S.C. 1985, c. P-14); Schedule III, Part I of the *Financial Administration Act*; Not an agent of Her Majesty.**
Appropriate Minister:	**The Honourable Douglas Young, P.C., M.P.** **Minister of Transport**
Auditor:	**Auditor General of Canada**

FINANCIAL SUMMARY ($ million) Financial year ending December 31.

	1993	1992	1991	1990	1989
Financial Position					
Total Assets	7.9	8.0	6.9	4.0	4.3
Loans from Private Sector	0.0	0.0	0.0	0.0	0.0
Loans from Canada	0.0	0.0	0.0	0.0	0.0
Shareholder's Equity	4.9	4.8	3.1	1.8	2.3
Operations					
Revenues	31.0	32.8	33.8	29.3	25.3
Net Income	0.1	1.7	1.3	(0.4)	(0.5)
Cash Flow	0.3	1.9	1.4	(0.3)	(0.3)
Funding from Canada					
Budgetary (operating & capital expenditures)	0.0	0.0	0.0	0.0	0.0
Non Budgetary (loans and investments)	0.0	0.0	0.0	0.0	0.0
Payments to Canada					
Loan Repayments	0.0	0.0	0.0	0.0	0.0
Dividends	0.0	0.0	0.0	0.0	0.0
Employment	171	173	168	171	175

PETRO-CANADA LIMITED

MANDATE

To fulfil the government's debt obligations relating to Petro-Canada.

BACKGROUND

Petro-Canada Limited is the former parent Crown corporation of Petro-Canada which was privatized in July 1991. Its sole purpose is to service the remaining debt with the securities held and having comparable repayment terms.

CORPORATE HIGHLIGHTS

Operations in 1993 were limited to managing its investment portfolio and meeting its obligations on the outstanding Petro-Canada Limited Bonds.

The Corporation's revenue from the investment portfolio and guarantee fees exceeded Petro-Canada Limited's obligations on outstanding bonds resulting in a 1993 net profit of $1 million.

Petro-Canada Limited has sufficient revenues from its investment portfolio and cash reserves to meet future cash flow requirements on its outstanding bonds and future operating cost.

PETRO-CANADA LIMITED

Chairman:	**J. Andrew MacDonald**
President:	**Gordon W. King**
Head Office:	**c/o Department of Finance L'Esplanade Laurier 140 O'Connor Street Ottawa, Ontario, K1A 0G5**
Incorporation and Status:	**1975; by the *Petro-Canada Act* (R.S.C. 1985: c.P-11); continued as Petro-Canada Limited on February 1, 1991, under the *Petro-Canada Public Participation Act*; Schedule III, Part II of the *Financial Administration Act*; An agent of Her Majesty.**
Appropriate Minister:	**The Honourable Paul Martin, P.C., M.P. Minister of Finance and Minister responsible for the Federal Office of Regional Development - Quebec**
Auditors:	**Arthur Andersen & Co. and the Auditor General of Canada**

FINANCIAL SUMMARY ($ million) Financial year ending December 31.

	1993	1992	1991	1990	1989
Financial Position					
Total Assets	526.0	519.0	989.0	2,128.0	4,369.0
Loans from Private Sector	479.0	460.0	952.0	2,097.0	1,753.0
Loans from Canada	0.0	0.0	0.0	0.0	0.0
Shareholder's Equity	0.0	7.0	4.0	0.0	2,585.0
Operations					
Revenues	42.0	146.0	160.0	236.0	185.0
Net Income	1.0	3.0	4.0	148.0	6.0
Cash Flow	(10.0)	(11.0)	4.0	1.0	1.0
Funding from Canada					
Budgetary (operating & capital expenditures)	0.0	0.0	0.0	0.0	0.0
Non Budgetary (loans and investments)	0.0	0.0	0.0	0.0	0.0
Payments to Canada					
Loan Repayments	0.0	0.0	0.0	0.0	0.0
Dividends	8.0	0.0	0.0	35.0	0.0
Employment	0	0	0	0	0

PORT OF QUEBEC CORPORATION

MANDATE

To administer, manage and control the Harbour of Quebec and all the works and property within the harbour under its jurisdiction.

BACKGROUND

The Port of Quebec Corporation was established as a parent Crown corporation on June 1, 1984, pursuant to the national ports policy to create local port corporations at the major ports and harbours previously under the centralized administration of the National Harbours Board.

CORPORATE HIGHLIGHTS

In 1993, the Port experienced a decrease in overall activity and reported a net deficit of $2.9 million. Tonnage was down 14% or 2.2 million tonnes largely due to a decrease of 2.1 million tonnes in grain exports. Some sectors of activity increased with mineral concentrates up 20%, scrap metal increasing 37% and gasoline up 7%. The port also welcomed more than 38,000 cruise ship passengers.

Over the last two years, controllable expenses such as administration, salaries and maintenance expenses have been reduced by 26%. Between 1991 and 1995, these expenses representing 33% of total expenses will have been cut by 42%.

The Corporation's management has indicated that the Port of Quebec Corporation, as Canada's oldest port, will require major renovation work on its ground installations in the near future.

PORT OF QUEBEC CORPORATION

Chairman:	**Réne Paquet**
President and Chief Executive Officer:	**Ross Gaudreault**
Head Office:	**150 Dalhousie Street** **P.O. Box 2268** **Quebec, Quebec, G1K 7P7** **(418) 648 - 3558** **Facsimile: (418) 648 - 4160**
Incorporation and Status:	**1984; letters patent of incorporation pursuant to subsection 25(1) of the *Canada Ports Corporation Act* (R.S.C. 1985, c. C-9); Schedule III, Part II of the *Financial Administration Act*; An agent of Her Majesty.**
Appropriate Minister:	**The Honourable Douglas Young, P.C., M.P.** **Minister of Transport**
Auditors:	**KPMG Peat Marwick Thorne**

FINANCIAL SUMMARY ($ million) Financial year ending December 31.

	1993	1992	1991	1990	1989
Financial Position					
Total Assets	64.1	64.8	62.4	67.8	72.1
Loans from Private Sector	0.0	0.0	0.0	0.0	0.0
Loans from Canada	0.0	0.0	0.0	0.0	0.0
Shareholder's Equity	54.3	57.1	58.1	56.6	68.0
Operations					
Revenues	11.1	14.4	16.9	13.8	14.6
Net Income	(2.9)	(1.0)	1.5	0.1	1.7
Cash Flow	0.4	2.0	4.6	2.2	3.8
Funding from Canada					
Budgetary (operating & capital expenditures)	0.0	0.0	0.0	0.0	0.0
Non Budgetary (loans and investments)	0.0	0.0	0.0	0.0	0.0
Payments to Canada					
Loan Repayments	0.0	0.0	0.0	0.0	0.0
Dividends	0.0	negl.	0.0	11.4	0.1
Employment	88	96	94	105	101

PRINCE RUPERT PORT CORPORATION

MANDATE

To administer, manage and control the Prince Rupert Harbour and all the works and property within the harbour under its jurisdiction.

BACKGROUND

The Prince Rupert Port Corporation was established as a parent Crown corporation on June 1, 1984, pursuant to the national ports policy to create local port corporations at the major ports and harbours previously under the centralized administration of the National Harbours Board.

CORPORATE HIGHLIGHTS

Overall port traffic decreased 12.2% to 11.7 million tonnes predominantly due to reductions in grain and coal throughput. A net loss of $93,792 was directly attributable to a decline in tonnage and the added expenses relating to development work on petrochemical projects. Lumber movement saw a small increase over 1992 tonnage, reversing a three-year decline. Increases in wood pulp provided a positive outlook for the continued growth in this sector with shipments up 489% in 1993.

Grain volumes through Prince Rupert grain terminals at Ridley Island were down 16% over 1992 volumes, due in part to adverse weather conditions and problems related to the availability of rail cars.

The number of ferry and cruise passengers through the port increased by 2% in 1993. A new ferry terminal for the Alaska Marine Highway system was completed in August as a result of a joint effort between the City of Prince Rupert, the Prince Rupert Port Corporation and the Alaska Marine Highways.

In June, the port announced that work would commence on a new pulp warehouse at Fairview Terminal. During the year, the Corporation also began development work on a proposed methyl tertiary butyl ether plant and a liquefied petroleum gas shipping facility on South Kaien Island.

PRINCE RUPERT PORT CORPORATION

Interim Chairman:	**Peter J. Lester**
President and Chief Executive Officer:	**Donald H. Krusel**
Head Office:	**110 Third Avenue West** **Prince Rupert, British Columbia, V8J 1K8** **(604) 627 - 7545** **Facsimile: (604) 627 - 7101**
Incorporation and Status:	**1984; letters patent of incorporation pursuant to subsection 25(1) of the *Canada Ports Corporation Act (*R.S.C. 1985, c. C-9); Schedule III, Part II of the *Financial Administration Act*; An agent of Her Majesty.**
Appropriate Minister:	**The Honourable Douglas Young, P.C., M.P.** **Minister of Transport**
Auditors:	**KPMG Peat Marwick Thorne**

FINANCIAL SUMMARY ($ million) Financial year ending December 31.

	1993	1992	1991	1990	1989
Financial Position					
Total Assets	111.7	111.5	114.4	112.0	101.1
Loans from Private Sector	0.0	0.0	0.0	0.0	0.0
Loans from Canada	16.2	16.5	68.7	67.7	54.6
Shareholder's Equity	93.5	93.6	44.5	43.5	42.4
Operations					
Revenues	13.5	14.3	15.4	15.2	15.4
Net Income	(0.1)	0.9	1.3	2.0	4.4
Cash Flow	2.3	3.4	3.7	3.9	5.1
Funding from Canada					
Budgetary (operating & capital expenditures)	0.0	0.0	0.0	0.0	0.0
Non Budgetary (loans and investments)	0.0	48.3	0.0	12.8	4.5
Payments to Canada					
Loan Repayments	0.4	53.2	0.3	0.1	0.0
Dividends	0.0	0.1	0.2	1.0	1.1
Employment	17	16	19	17	16

QUEENS QUAY WEST LAND CORPORATION

MANDATE

Queens Quay West Land Corporation (formerly named Harbourfront Corporation) operates, manages, maintains and develops the Harbourfront site in Toronto. Since January 1991, the activities of the Corporation have focussed specifically on implementing the recommendations of the Royal Commission on the Future of the Toronto Waterfront.

BACKGROUND

In 1972, Harbourfront Corporation was created from the assembly of lands owned and expropriated by the federal government. With participation from all levels of government, its mandate to support cultural, recreational and educational activities at the Harbourfront site was established in 1978. In addition to funding facilities for public use, the Corporation also encouraged private sector development on the site.

On March 30, 1988, the federal government established the Royal Commission on the Future of the Toronto Waterfront to review the role, mandate and development plans of Harbourfront Corporation. Implementation plans were developed on the basis of the recommendations of the Commission. Under this plan, cultural, recreational and educational activities have been transferred to Harbourfront Centre, a local non-profit programming entity. A second entity, a charitable foundation, was established to manage the net proceeds from the sale of the Corporation's assets and to make payments to support the public programming activities of Harbourfront Centre. Pursuant to Order-in-Council P.C. 1993-1354 the Corporation's name was changed from "Harbourfront Corporation" to "Queens Quay West Land Corporation".

CORPORATE HIGHLIGHTS

In 1993-94, operating and capital contributions to the Harbourfront Centre of $9.2 million and development costs related to parkland and public infrastructure of $8.5 million increased the shareholders' deficit position from $8.5 million to $26 million.

During the year, loans from Canada increased by $20.7 million to a total of $45.8 million. This loan and the balance of earlier loans totalling $25.1 million became non-interest bearing.

It is presently anticipated that the affairs of the Corporation will be wound-down, ultimately transferring its remaining assets, liabilities and obligations to another existing Crown corporation by June 30, 1995.

QUEENS QUAY WEST LAND CORPORATION

Chairman and President:	**William J. McAleer**
Head Office:	**Scotia Plaza, Suite 2703** **P.O. Box 320, 40 King Street West** **Toronto, Ontario, M5H 3Y2** **(416) 864 - 0333** **Facsimile: (416) 864 - 0289**
Incorporation and Status:	**1936; as Terminal Warehouses Ltd, under the *Ontario Companies Act*; July 14, 1978, as Harbourfront Corporation, under the *Business Corporations Act* of Ontario; continued under the *Canada Business Corporations Act*, December 21, 1984; Schedule III, Part I of the *Financial Administration Act*;** **Not an agent of Her Majesty.**
Appropriate Minister:	**The Honourable David Dingwall, P.C., M.P.** **Minister of Public Works and Government Services and** **Minister for the Atlantic Canada Opportunities Agency**
Auditors:	**KPMG Peat Marwick Thorne and the Auditor General of Canada**

FINANCIAL SUMMARY ($ million) Financial year ending March 31.

	1993-94	1992-93	1991-90	1990-91	1989-90
Financial Position					
Total Assets	23.5	23.6	24.0	20.8	31.0
Loans from Private Sector	0.0	0.0	0.0	0.0	0.0
Loans from Canada	45.8	25.1	14.7	2.2	0.0
Shareholder's Equity	(26.0)	(8.5)	5.9	15.1	25.2
Operations					
Revenues	3.8	4.4	6.1	7.9	7.5
Net Income	(8.2)	(2.3)	1.4	(7.7)	(5.2)
Cash Flow	(8.2)	(2.3)	1.5	0.9	2.8
Funding from Canada					
Budgetary (operating & capital expenditures)	0.0	0.0	0.0	3.6	3.6
Non Budgetary (loans and investments)	20.7	10.4	12.5	2.2	0.0
Payments to Canada					
Loan Repayments	0.0	0.0	0.0	0.0	0.0
Dividends	0.0	0.0	0.0	0.0	0.0
Employment	5	6	6	6	255

ROYAL CANADIAN MINT

MANDATE

To mint coins in anticipation of profit and to carry out other related activities.

BACKGROUND

Founded in 1908 as a branch of the Mint of the United Kingdom, its operations were devolved to the Crown in right of Canada in 1931. Initially a departmental agency of the government, it was incorporated by legislation in 1969. In 1989, a share capital structure was created for the Mint and shares were issued to Canada. The Corporation operates in a competitive international environment.

CORPORATE HIGHLIGHTS

In 1993, the Mint reported income before tax of $7.1 million, exceeding their Corporate Plan target of $6.2 million. The Mint declared and paid a dividend of $6.3 million to its shareholder, the government.

Demand for domestic coinage increased by 19% in 1993, and demand for foreign coinage by 18%. The continued high quality of its products and services enabled the Mint to maintain its position as a leading supplier of foreign coins. Although the Mint experienced a drop in sales of its Gold and Platinum Maple Leaf coins, sales of the Silver Maple Leaf increased. As well, the Mint's 1993 earnings benefited from the ongoing success of the Canada 125 program.

The refinery business has improved somewhat, due in part to the Mint's efforts to improve its competitive price position while maintaining its reputation for quality, service and security. Coincident with the April 1993 Budget, the government announced that it would not proceed with a privatization of the Mint.

ROYAL CANADIAN MINT

Chairman:	**James Corkery**
President:	**Danielle V. Wetherup**
Head Office:	**320 Sussex Drive Ottawa, Ontario, K1A 0G8 (613) 993 - 3500 Facsimile: (613) 952 - 8342**
Incorporation and Status:	**1969; by the *Royal Canadian Mint Act* (R.S.C. 1985, c. R-9); Schedule III, Part II of the *Financial Administration Act*; An agent of Her Majesty.**
Appropriate Minister:	**The Honourable David Dingwall, P.C., M.P. Minister of Public Works and Government Services and Minister for the Atlantic Canada Opportunities Agency**
Auditor:	**Auditor General of Canada**

FINANCIAL SUMMARY ($ million) Financial year ending December 31.

	1993	1992	1991	1990	1989
Financial Position					
Total Assets	92.8	102.7	99.8	107.8	101.2
Loans from Private Sector	0.0	0.0	0.0	0.0	0.0
Loans from Canada	5.5	8.2	10.9	13.5	16.2
Shareholder's Equity	69.1	68.3	60.0	65.0	56.9
Operations					
Revenues	356.8	378.0	298.2	606.2	749.5
Net Income	7.1	9.0	1.3	10.4	7.8
Cash Flow	9.9	12.0	4.4	13.2	10.5
Funding from Canada					
Budgetary (operating & capital expenditures)	0.0	0.0	0.0	0.0	0.0
Non Budgetary (loans and investments)	0.0	0.0	0.0	0.0	40.0
Payments to Canada					
Loan Repayments	2.7	2.7	2.7	2.7	2.7
Dividends	6.3	0.7	6.3	2.3	60.4
Employment	610	763	667	737	776

SAINT JOHN PORT CORPORATION

MANDATE

To administer, manage and control the Saint John Harbour and all the works and property within the harbour under its jurisdiction.

BACKGROUND

The Saint John Port Corporation was established as a parent Crown corporation on December 31, 1986, pursuant to the national ports policy to create local port corporations at the major ports and harbours previously under the centralized administration of the National Harbours Board.

CORPORATE HIGHLIGHTS

Cargo handled through the port reached a record level of 19.6 million tonnes in 1993. This increase of 23% over the previous year was predominantly due to the strong growth in petroleum shipments, which were up 29% to a record level of 16.6 million tonnes. Container traffic was up by 112% to 231,000 tonnes. Although some of this was diverted traffic due to heavy ice conditions on the St. Lawrence, accounting for this factor indicated that container shipments were up by 20%.

During 1993, the diversity of shipping services available through the Port of Saint John increased. A new shipping service was initiated which offers Canadian importers and exporters access to the Central American countries of Costa Rica, Guatemala, Honduras and Panama. Another service was started between Saint John and the Red Sea and Arabian Gulf with connections to the Far East and Southeast Asia. The port is continuing to be recognized as an port-of-call for cruise ships.

The future of rail transportation in the Maritime provinces is an issue of major concern to the Corporation. In 1993, CP Rail System filed applications with the National Transportation Agency (NTA) to abandon trackage in Nova Scotia, New Brunswick and Quebec. Also, in June 1993 the railway filed an application with the Interstate Commerce Commission to abandon linking trackage in the State of Maine. The Corporation was an active intervenor in the abandonment processes emphasizing the importance of CP Rail System service to the port and its customers. Subsequently, NTA issued decision orders granting abandonment; however, on September 1, 1993 the Minister of Transport postponed abandonment until January 1, 1995 to ensure adequate time for all parties concerned to examine every option for the provision of rail transportation services and to work together toward finding solutions. The Corporation is actively working with port customers and other interested parties to develop options for the continuation of competitive rail transportation services to the Port of Saint John and southeastern New Brunswick.

SAINT JOHN PORT CORPORATION

Chairman:	**Harry P. Gaunce**
General Manager and Chief Executive Officer:	**Kenneth Krauter**
Head Office:	**133 Prince William Street** **P.O. Box 6429, Station A** **Saint John, New Brunswick, E2L 4R8** **(506) 636 - 4869** **Facsimile: (506) 636 - 4443**
Incorporation and Status:	**1986; letters patent pursuant to subsection 25(1) of the *Canada Ports Corporation Act* (R.S.C. 1985, c. C-9); Schedule III, Part II of the *Financial Administration Act*; An agent of Her Majesty.**
Appropriate Minister:	**The Honourable Douglas Young, P.C., M.P.** **Minister of Transport**
Auditors:	**Ernst & Young**

FINANCIAL SUMMARY ($ million) Financial year ending December 31.

	1993	1992	1991	1990	1989
Financial Position					
Total Assets	84.5	88.5	89.2	92.1	92.1
Loans from Private Sector	19.7	19.7	19.7	19.7	0.0
Loans from Canada	18.1	20.1	20.8	23.8	20.1
Shareholder's Equity	44.2	45.9	45.8	45.7	50.3
Operations					
Revenues	12.1	12.0	12.4	13.6	12.9
Net Income	(1.7)	0.2	0.1	0.3	0.2
Cash Flow	1.3	3.0	3.0	3.6	3.1
Funding from Canada					
Budgetary (operating & capital expenditures)	0.0	0.5	0.5	0.0	0.0
Non Budgetary (loans and investments)	0.0	0.0	0.0	0.0	0.0
Payments to Canada					
Loan Repayments	2.0	0.0	0.0	0.0	0.0
Dividends	0.0	0.0	0.0	4.9	0.0
Employment	36	48	55	58	59

ST. JOHN'S PORT CORPORATION

MANDATE

To administer, manage and control the Harbour of St. John's and all the works and property within the harbour under its jurisdiction.

BACKGROUND

St. John's Port Corporation was established as a parent Crown corporation on June 1, 1985, pursuant to the national ports policy to create local port corporations at the major ports and harbours previously under the centralized administration of the National Harbours Board.

CORPORATE HIGHLIGHTS

The Corporation held most charges and tariff rates at their 1991 levels. An additional incentive was provided by lowering wharfage rates. It is anticipated that these tariff rates will assist all port users in their endeavour to develop further cargo opportunities.

Revenues for 1993 were down 6% below 1992. Tonnage was also lower than budgeted. However, with expenses tightly monitored and controlled, the Corporation was able to achieve its objective for budgeted net income. The Corporation, for the fourth consecutive year will be providing a dividend to its shareholder. The Corporation also repaid in 1993 a term loan to the Government of Canada which was to mature December 31, 2000.

Discussions with parties interested in establishing a supply base related to the Hibernia Development Project took place over the year, and it is expected that such discussions will see the appointment, by Hibernia Management Development Corporation, of an operator for the supply vessel base in the Port of St. John's.

ST. JOHN'S PORT CORPORATION

Chairman:	**Melvin Woodward**
Port Manager and Chief Executive Officer:	**David J. Fox**
Head Office:	**3 Water Street P.O. Box 6178 St. John's, Newfoundland, A1C 5X8 (709) 772 - 4582 Facsimile: (709) 772 - 4689**
Incorporation and Status:	**1985; letters patent pursuant to subsection 25(1) of the *Canada Ports Corporation Act* (R.S.C. 1985, c. C-9); Schedule III, Part II of the *Financial Administration Act*; An agent of Her Majesty.**
Appropriate Minister:	**The Honourable Douglas Young, P.C., M.P. Minister of Transport**
Auditors:	**Doane Raymond**

FINANCIAL SUMMARY ($ million) Financial year ending December 31.

	1993	1992	1991	1990	1989
Financial Position					
Total Assets	16.3	16.9	17.8	17.3	16.5
Loans from Private Sector	0.0	0.0	0.0	0.0	0.0
Loans from Canada	0.0	1.1	2.7	2.9	3.1
Shareholder's Equity	15.4	14.9	14.3	13.5	12.7
Operations					
Revenues	3.4	3.7	3.7	3.6	3.2
Net Income	0.5	0.7	0.8	0.7	0.4
Cash Flow	1.4	1.5	1.7	1.7	1.2
Funding from Canada					
Budgetary (operating & capital expenditures)	0.0	0.0	0.0	1.3	2.1
Non Budgetary (loans and investments)	0.0	0.0	0.0	0.0	0.0
Payments to Canada					
Loan Repayments	1.0	1.6	0.2	0.2	0.2
Dividends	negl.	negl.	negl.	negl.	0.0
Employment	13	14	17	17	17

ST. LAWRENCE SEAWAY AUTHORITY, THE

MANDATE

To construct, operate and maintain canals, bridges, works and other property related to the deep waterway between the Port of Montreal and Lake Erie, known as the St. Lawrence Seaway.

BACKGROUND

The St. Lawrence Seaway Authority, established in 1954, constructed and operates the St. Lawrence Seaway in conjunction with an authority in the United States, and constructed, maintains and operates bridges and other works and property. The Authority operates 13 locks in Canadian territory and four high-level bridges traversing the St. Lawrence River. Two locks in the United States are operated by the Saint Lawrence Seaway Development Corporation. Tolls may be established by filing with the National Transportation Agency (NTA) or by agreement between Canada and the United States.

A wholly-owned subsidiary, the Seaway International Bridge Corporation, Ltd., established in 1962, manages the international bridge at Cornwall, Ontario. A second wholly-owned subsidiary, the Jacques Cartier and Champlain Bridges Incorporated, manages the two high-level bridges in Montreal since their transfer from the National Harbours Board in 1978. A third wholly-owned subsidiary, Great Lakes Pilotage Authority, Ltd. is a parent Crown corporation for the purposes of the Financial Administration Act. The Canadian span of the Thousand Islands Bridge at Lansdowne, Ontario has been directly administered by the Authority since this property reverted to Canada in 1976.

CORPORATE HIGHLIGHTS

The Seaway Authority's losses were reduced significantly in 1993-94 compared to the previous fiscal year. The largest contributing factor to the reduced loss was a 7% increase in revenue. In addition, continued efforts in cost reduction measures resulted in a $0.7 million increase in savings over those of the previous year.

Tonnage on the Montreal-Lake Ontario section and on the Welland Canal levelled off at approximately 32 million tonnes. In 1993, the most notable improvements were in shipments of iron ore and steel which reported increases of 39% and 35% respectively.

A cost reduction program is continuing. Since its inception during the 1990 navigation season, the Authority has reduced staff by 205 positions which represents a 21% drop in the size of the workforce. The Authority also sold 22 surplus properties generating $1.6 million in additional revenues.

The Incentive Tolls Program resulted in additional business for the Seaway Authority and rebates totalling $1.7 million on $7.2 million of revenues were paid to shippers using the Seaway system. The combination of the Incentive Tolls Program and a new market sensitive rate for coal paved the way for Appalachian coal to be shipped through Ashtabula, Ohio to New Brunswick Power at Belledune, N.B.

Four bridge structures were successfully transferred in the Niagara Region under the Strategic Transportation Improvement Program.

Capital expenditures are planned in 1995-96 for major restorations required to keep the risk of system failure at a minimum.

ST. LAWRENCE SEAWAY AUTHORITY, THE

Chairperson and President:	**Glendon R. Stewart**
Head Office:	**Constitution Square** **14th Floor, Suite 1400** **360 Albert Street** **Ottawa, Ontario, K1R 7X7** **(613) 598 - 4600** **Facsimile: (613) 598 - 4620**
Incorporation and Status:	**1954; pursuant to section 3 of the *St. Lawrence Seaway Authority Act* (R.S.C. 1985, c. S-2); Schedule III, Part I of the *Financial Administration Act*;** **An agent of Her Majesty.**
Appropriate Minister:	**The Honourable Douglas Young, P.C., M.P.** **Minister of Transport**
Auditor:	**Auditor General of Canada**

FINANCIAL SUMMARY ($ million) Financial year ending March 31.

	1993-94	1992-93	1991-92	1990-91	1989-90
Financial Position					
Total Assets	577.8	593.1	600.1	593.5	600.3
Loans from Private Sector	0.0	0.0	0.0	0.0	0.0
Loans from Canada	0.0	0.0	0.0	0.0	0.0
Shareholder's Equity	554.1	558.1	567.0	566.3	573.7
Operations					
Revenues	76.4	72.0	73.7	75.2	73.7
Net Income	(4.0)	(8.9)	0.7	(7.4)	(2.8)
Cash Flow	8.7	3.6	12.3	4.7	9.6
Funding from Canada					
Budgetary (operating & capital expenditures)	0.0	37.4	28.7	27.3	26.9
Non Budgetary (loans and investments)	0.0	0.0	0.0	0.0	0.0
Payments to Canada					
Loan Repayments	0.0	0.0	0.0	0.0	0.0
Dividends	0.0	0.0	0.0	0.0	0.0
Employment	741	821	862	918	925

STANDARDS COUNCIL OF CANADA

MANDATE

To foster and promote voluntary standardization in fields relating to the construction, manufacture, production, quality, performance and safety of buildings, structures, manufactured articles and products, and other goods not expressly provided for by law, as a means of advancing the national economy, benefiting the public, protecting consumers and facilitating trade, and furthering international co-operation in relation to standards.

BACKGROUND

The Standards Council of Canada (SCC) coordinates the activities of organizations involved in standardization in Canada, and represents Canada in international standardization organizations.

CORPORATE HIGHLIGHTS

The Standards Council continued to make progress in its objective of full cost-recovery. Fifty-two Conformity Assessment Organizations were accredited by SCC and became members of the National Standards System. The program recovered 53% of operating expenses through accreditation fees, up from 42% in 1992-93 .

Significant developments have occurred in the development of memoranda of understanding and mutual recognition agreements with counterpart standards organizations in the U.S., Mexico and the European Economic Community.

STANDARDS COUNCIL OF CANADA

President:	**Richard Lafontaine**
Executive Director:	**Michael B. McSweeney**
Head Office:	**Suite 1200 World Exchange Plaza 45 O'Connor Street Ottawa, Ontario, K1P 6N7 (613) 238 - 3222 Facsimile: (613) 995 - 4564**
Incorporation and Status:	**1970; by the *Standards Council of Canada Act* (R.S.C. 1985, c. S-16); Schedule III, Part I of the *Financial Administration Act*; Not an agent of Her Majesty.**
Appropriate Minister:	**The Honourable John Manley, P.C., M.P. Minister of Industry**
Auditors:	**Deloitte & Touche and the Auditor General of Canada**

FINANCIAL SUMMARY ($ million) Financial year ending March 31.

	1993-94	1992-93	1991-92	1990-91	1989-90
Financial Position					
Total Assets	2.8	2.6	2.6	2.1	2.2
Loans from Private Sector	0.0	0.0	0.0	0.0	0.0
Loans from Canada	0.0	0.0	0.0	0.0	0.0
Shareholder's Equity	1.6	1.2	1.1	1.0	0.9
Operations					
Revenues	3.3	3.1	2.1	1.6	1.5
Net Income	0.3	0.2	0.1	0.1	0.2
Cash Flow	0.5	0.3	0.2	0.3	0.4
Funding from Canada					
Budgetary (operating & capital expenditures)	5.6	5.8	6.0	6.0	7.6
Non Budgetary (loans and investments)	0.0	0.0	0.0	0.0	0.0
Payments to Canada					
Loan Repayments	0.0	0.0	0.0	0.0	0.0
Dividends	0.0	0.0	0.0	0.0	0.0
Employment	66	63	65	64	64

VANCOUVER PORT CORPORATION

MANDATE

To administer, manage and control the Vancouver Harbour and all the works and property within the harbour under its jurisdiction.

BACKGROUND

The Vancouver Port Corporation (VPC) was established as a parent Crown corporation on July 1, 1983, pursuant to the national ports policy to create local port corporations at the major ports and harbours previously under the centralized administration of the National Harbours Board.

CORPORATE HIGHLIGHTS

The Vancouver Port Corporation made progress toward realizing its long-term vision — helping the Port of Vancouver become the dominant port in North America in terms of facilities, service and cost efficiency.

General cargo tariffs were greatly simplified and, to help the port meet future customer demand, the Vancouver Port Corporation continued with its plan of capital expansion. The redevelopment of the Ballantyne Terminal to provide increased pulp and cruise capacity continued on schedule, while a new 150,000 square foot pulp shed at Lynnterm was completed and work begun on a 250 foot berth extension.

Environmental mitigation work took place at Roberts Bank in advance of construction of the Deltaport container terminal.

In 1993, the port was given responsibility for the Canada Harbour Place Corporation, administrators of the international landmark Canada Place. This acquisition represents $61 million in additional assets to the Corporation.

To realize revenue growth, the port continued its focus to committing substantial resources to receive approval for the Deltaport container facility at Roberts Bank, a $180 million project for the Corporation.

The port's overall tonnage decreased to 60.8 million tonnes in 1993 from 63.3 million tonnes. Net income dropped from $23.3 million in 1992 to $11.1 million in 1993. In the bulk sector, the recovery in the coal sector was offset by a marginal crop year in grain and sulphur tonnages. The consequence was a 5% drop in overall bulk totals form 53.4 million tonnes to 50.9 million tonnes. Total general cargo tonnage was up 2% to 6.4 million tonnes. Container tonnage was also down slightly from 441,055 TEUs to 434,004 TEUs.

A variety of terminal improvements, as well as preliminary development work at Deltaport, account for most of the $44.8 million in capital expenditures in 1993.

VANCOUVER PORT CORPORATION

Chairman:	**J. Ron Longstaffe**
President and Chief Executive Officer:	**Captain Norman C. Stark**
Head Office:	**1900 Granville Square** **200 Granville Street** **Vancouver, British Columbia, V6C 2P9** **(604) 666 - 8966** **Facsimile: (604) 666 - 8239**
Incorporation and Status:	**1983; letters patent of incorporation pursuant to subsection 25(1) of the *Canada Ports Corporation Act* (R.S.C. 1985, c. C-9); Schedule III, Part II of the *Financial Administration Act*; An agent of Her Majesty.**
Appropriate Minister:	**The Honourable Douglas Young, P.C., M.P.** **Minister of Transport**
Auditors:	**KPMG Peat Marwick Thorne**

FINANCIAL SUMMARY ($ million) Financial year ending December 31.

	1993	1992	1991	1990	1989
Financial Position					
Total Assets	366.9	328.4	317.1	307.9	303.4
Loans from Private Sector	0.0	0.0	0.0	0.0	0.0
Loans from Canada	2.7	3.0	3.3	3.5	3.7
Shareholder's Equity	344.2	307.8	292.2	274.2	287.8
Operations					
Revenues	60.2	64.5	69.3	68.5	62.2
Net Income	11.1	23.3	26.7	30.2	28.4
Cash Flow	23.3	30.9	35.2	38.4	36.4
Funding from Canada					
Budgetary (operating & capital expenditures)	0.0	0.0	0.0	0.0	0.0
Non Budgetary (loans and investments)	0.0	0.0	0.0	0.0	0.0
Payments to Canada					
Loan Repayments	0.3	0.3	0.2	0.2	0.2
Dividends	6.6	7.7	8.7	43.9	8.1
Employment	145	220	229	226	227

VIA RAIL CANADA INC.

MANDATE

To manage and provide safe, efficient, effective and economic rail passenger service in Canada to meet the needs of the travelling public.

BACKGROUND

In accordance with contracts with the Minister of Transport, VIA Rail Canada Inc. (VIA) operates passenger train services over Canadian National Railway Company and Canadian Pacific Limited railway tracks. In the April 1989 Budget, the government announced reductions in planned funding for the Corporation. A revised network, which was part of a new business plan that included increased fares and service reductions, was implemented on January 15, 1990.

CORPORATE HIGHLIGHTS

In its 1993-1997 Corporate Plan Summary, the Corporation has established five-year operational targets against thirteen items to operationalize the following long-term goals into short-term objectives.

- To offer passengers safe train travel, with high standards of operating performance;
- To provide a competitive level of service to every customer in cost-effective manner;
- To acquire the powers and resources necessary to operate as a successful business;
- To continue to reduce dependency on government operating funding.

For example, VIA will continue to upgrade and renovate its stations and rolling stock. On-time performance will increase by 1% a year in the Quebec - Windsor corridor, reaching 95% in 1996, and on certain trains, on-time performance will remain at 89%.

Since 1990 VIA has made significant progress despite the slow-down in the economy:

- passenger revenues are up by 22%;
- total cash operating expenses have been reduced by 12%;
- total government funding requirements have declined by $94 million;
- infrastructure improvements have led to significant trip time reductions;
- new frequencies have been introduced in the Quebec-Windsor corridor.

Major management reorganizations in 1993 and 1994 will result in the elimination of 50% of VIA's administrative positions by the end of 1994 and are expected to provide ongoing savings of $32 million annually.

VIA RAIL CANADA INC.

Chairman:	**Marc LeFrançois**
President and Chief Executive Officer:	**Terry W. Ivany**
Head Office:	**2 Place Ville Marie** **6th Floor** **P.O Box 8116, Station A** **Montreal, Quebec, H3B 2C9** **(514) 871 - 6000** **Facsimile: (514) 871 - 6619**
Incorporation and Status	**1977; under the *Canada Business Corporations Act*;** **Schedule III, Part I of the *Financial Administration Act*;** **Not an agent of Her Majesty.**
Appropriate Minister:	**The Honourable Douglas Young, P.C., M.P.** **Minister of Transport**
Auditors:	**Raymond, Chabot, Martin, Paré and the Auditor General of Canada**

FINANCIAL SUMMARY ($ million) Financial year ending December 31.

	1993	1992	1991	1990	1989
Financial Position					
Total Assets	812.5	866.4	914.2	931.8	938.0
Loans from Private Sector	0.0	0.0	0.0	0.0	0.0
Loans from Canada	0.0	0.0	0.0	0.0	0.0
Shareholder's Equity	640.9	676.6	665.0	663.4	606.0
Operations					
Revenues	487.7	487.1	478.2	493.1	719.6
Net Income	(47.5)	(33.0)	(38.6)	26.4	(293.8)
Cash Flow	0.9	12.2	6.4	66.9	(162.8)
Funding from Canada					
Budgetary (operating & capital expenditures)	335.3	376.0	368.1	381.8	531.5
Non Budgetary (loans and investments)	0.0	0.0	0.0	0.0	0.0
Payments to Canada					
Loan Repayments	0.0	0.0	0.0	0.0	0.0
Dividends	0.0	0.0	0.0	0.0	0.0
Employment	4,368	4,494	4,477	4,525	6,372

Summary Financial and Employment Information

SUMMARY FINANCIAL AND EMPLOYMENT INFORMATION FOR CROWN CORPORATIONS

INTRODUCTION

This section presents a consolidated financial summary on the businesses and activities of all parent Crown corporations.

This portfolio of parent Crown corporations is unique. It is a highly diversified portfolio composed of corporations operating in many sectors of the Canadian economy, of widely varying size, with differing demands on the government for financial support and with each corporation having its own public policy purpose. To assist readers, the tables in this section have been presented from three different perspectives: the sector of the economy, the scheduling in the FAA, and how the government accounts for them.

Tables 1 and 2 present financial and employment information for each Crown corporation at their financial years ending on or before the previous July 31, along with aggregated totals for the entire Crown corporation portfolio. The audited financial statements for each Crown corporation, from which most of the data were extracted, are found as the Annex to this Report. Table 3 presents financial data as at the government's year end, March 31.

These tables cover the following corporations as they were structured at July 31, 1994:

- the 41 parent Crown corporations listed in Schedule III of the FAA 28 in Schedule III, Part I and 13 in Schedule III, Part II;
- seven parent Crown corporations which, pursuant to section 85(1) of the FAA, are exempt from the provisions of Divisions I to IV of Part X of the FAA;
- one subsidiary of a parent corporation which, by Order pursuant to section 86(2) of the FAA, reports its affairs as if it was a parent Crown corporation: Old Port of Montreal Corporation Inc.; and
- four wholly-owned subsidiaries whose financial affairs are not consolidated with their parent Crown corporations.

Employment and Financial Position: Grouped by Sector. Table 1

Table 1 categorizes the portfolio of Crown corporations by the broad sectors of the economy in which they operate: agriculture and fisheries; cultural; development and construction; energy and resources; financial intermediaries; government services; housing; transportation; postal services and other. Employees totalled 115,116. The Crown corporations in the transportation sector had 43,565 employees or 38% of the total number of employees engaged by Crown corporations. It also accounted for 61% of the government's investment in Crown corporations as measured by shareholder equity. In the postal services sector, Canada Post had 43,699 employees or 38% of the total number of employees engaged by Crown corporations. The housing and cultural sectors also represented significant proportions of the total portfolio.

This table portrays the financial position (as indicated by the measures of total assets, current liabilities, long-term liabilities and shareholder's equity) for each corporation and each sector of the portfolio. The charges against the total assets of the portfolio of $56.6 billion were $12.4 billion for current liabilities and $36.9 billion for long-term liabilities leaving a net shareholder's equity of $7.3 billion.

Operating Results and Financing: Grouped by the FAA Schedules. Table 2

Table 2 presents data according to the classification of parent Crown corporations set out in the *Financial Administration Act* (FAA): Schedule III, Part I; Schedule III, Part II; and those exempted from Divisions I to IV of Part X of the FAA. Schedule III, Part I parent Crown corporations normally operate in government program-oriented environments and normally depend in part on government appropriations for operating purposes and equity or for lending purposes. Schedule III, Part II parent Crown corporations usually operate in commercial and frequently competitive environments and are not normally dependent on appropriations for operating purposes. There is also a reasonable expectation that they will earn a return on equity and pay dividends to the government. The exempt parent Crown corporations are required to follow the accountability and control provisions of their specific legislation instead of that established in Part X of the FAA.

In terms of operating results, the corporations had total losses during the year of $57.2 million and generated cash flow of $810.3 million. In terms of financing, the corporations decreased their net borrowings by $1.4 billion from the Government of Canada. During the year funding received from the government through budgetary appropriations totalled $4.6 billion.

Comparison of Financial Position and Recorded Investment of Government: Grouped by Consolidation Status. Table 3

The Government of Canada categorizes the Crown corporations in its Accounts in one of two ways -- Consolidated or Unconsolidated. The Consolidated corporations generally rely on government funding as their principal source of revenue. The Unconsolidated corporations, the enterprise Crown corporations, generally do not depend on parliamentary appropriations and obtain their revenues primarily from the sale of goods and services to outside parties. Table 3 compares for the two categories, the financial position of each parent Crown corporation and the financial statements with the investment the government records in the Accounts of Canada at its year-end of March 31, 1994. Those corporations with fiscal year-ends other than March 31 provide unaudited financial data. The consolidated total assets reported by the corporations equals $84.7 billion and the liabilities total $77.4 billion leaving a net shareholder equity of $7.3 billion. The government's records show a total equity investment of only $5.1 billion in Crown corporations.

The $2.2 billion difference between the amount reported by Crown corporations and that reported by the Government of Canada results primarily from the different accounting methods for the corporations versus the Accounts of Canada.

Each individual Crown corporation is required by section 131(4) of the FAA to prepare its financial statements in accordance with generally accepted accounting principles. These differ from the stated accounting policies of the Government of Canada both in terms of revenue and expenditure recognition and in terms of the accounting treatment of capital expenditures.

In the Accounts of Canada, the financial statements of the Consolidated corporations are adjusted so that their transactions are reflected in exactly the same manner as if the corporations were an integral part of the government. For example, capital investments in property by the corporations are recognized as simply expenditures in the Accounts of Canada. However, the corporations typically record the monies received for capital as an investment by the shareholder and therefore report higher shareholder investments than does the Accounts of Canada.

In the Accounts of Canada the value of Unconsolidated or enterprise Crown corporations are recognized on the basis of of their cost less an allowance to reflect reductions from the recorded value to the estimated realizable value. The government recognizes any profits generated by these corporations only to the extent the corporations pay dividends to the government. Losses are recognized indirectly as necessary through the allowance for valuation.

TABLE 1: EMPLOYMENT AND FINANCIAL POSITION GROUPED BY SECTOR

(as of year-ends on or before July 31, 1994; $ millions)

Corporation by Sector	Employ-ment	Financial Position: Total Assets	Current Liabilities	Long-term Liabilities	Shareholder's Equity
Canadian Dairy Commission	58	171.0	110.6	60.4	0.0
Canadian Saltfish Corporation	6	1.1	4.1	0.0	(3.0)
Canadian Wheat Board	443	8,651.1	1,797.4	6,853.6	0.0
Freshwater Fish Marketing Corporation	38	15.9	11.2	0.5	4.2
Total Agriculture and Fisheries Sector	545	8,839.0	1,923.3	6,914.5	1.2
Canada Council	236	206.9	35.2	0.0	171.7
Canadian Broadcasting Corporation	9,117	1,582.0	232.9	592.3	756.8
Canadian Film Development Corporation	178	39.2	9.9	1.0	28.4
Canadian Museum of Civilization	525	25.2	6.9	4.6	13.7
Canadian Museum of Nature	216	7.9	2.8	2.9	2.3
National Arts Centre Corporation	281	17.6	6.7	1.1	9.8
National Gallery of Canada	284	17.4	5.2	3.7	8.5
National Museum of Science and Technology	218	9.3	1.7	1.5	6.1
Total Cultural Sector	11,055	1,905.6	301.3	607.1	997.2
Canada Lands Company Ltd.	0	0.0	0.0	0.0	0.0
Canada Lands (Vieux Port de Québec) Inc.[1]	0	0.5	0.3	0.0	0.2
Canada Museums Construction Inc.[1]	0	1.6	1.5	0.0	0.1
Defence Construction (1951) Ltd.	241	2.4	1.4	1.8	(0.8)
National Capital Commission	802	369.9	28.7	11.1	330.0
Old Port of Montreal Corporation Inc.[2]	67	4.0	3.7	0.3	0.0
Queens Quay West Land Corporation	5	23.5	3.7	45.8	(26.0)
Total Development and Construction Sector	1,115	401.9	39.3	59.0	303.5
Atomic Energy of Canada Limited	4,287	848.4	161.2	220.4	466.9
Cape Breton Development Corporation	2,279	379.9	62.5	47.1	270.4
Petro-Canada Limited	0	526.0	11.0	515.0	0.0
Total Energy and Mining Sector	6,566	1,754.4	234.6	782.4	737.3
Canada Deposit Insurance Corporation	90	2,387.6	1,130.7	2,904.5	(1,647.7)
Enterprise Cape Breton Corporation	45	4.4	1.7	0.2	2.4
Export Development Corporation	541	9,154.0	2,674.0	5,585.0	895.0
Farm Credit Corporation	760	3,773.6	945.6	2,511.1	316.9
Federal Business Development Bank	954	3,021.3	810.5	1,931.1	279.6
Total Financial Intermediaries Sector	2,390	18,340.8	5,562.5	12,932.1	(153.8)

1. Four wholly-owned subsiadiaries have been added to the table because their financial affairs are not consolidated with their parent Crown corporation.
2. The Old Port of Montreal Corporation Inc. is a wholly-owned subsidiary of the Canada Lands Company which has been directed to report as a parent corporation.

Corporation by Sector	Employment	Financial Position: Total Assets	Current Liabilities	Long-term Liabilities	Shareholder's Equity
Bank of Canada[3]	2,083	-	-	-	-
Canada Development Investment Corporation	9	181.9	250.1	250.0	(318.2)
Canadian Commercial Corporation	81	390.6	372.7	0.9	17.0
Royal Canadian Mint	610	92.8	14.8	8.9	69.1
Standards Council of Canada	66	2.8	1.0	0.3	1.6
Total Government Services Sector	**2,849**	**668.1**	**638.5**	**260.2**	**(230.6)**
Canada Mortgage and Housing Corporation	2,975				
Corporate Account		10,013.6	850.0	9,113.6	50.0
Minister's Account		0.0	0.0	0.0	0.0
Administered Funds		1,844.2	5.7	1,800.0	38.4
Total Housing Sector	2,975	11,857.8	855.7	10,913.6	88.4
Canada Post Corporation	43,699	2,612.8	899.3	646.7	1,066.9
Total Postal Services Sector	**43,699**	**2,612.8**	**899.3**	**646.7**	**1,066.9**
Atlantic Pilotage Authority, Ltd.	77	1.8	0.8	0.7	0.2
Canada Ports Corporation	298	247.0	16.4	246.8	(16.1)
Canadian National Railway Company	34,707	7,106.0	1,697.0	2,997.0	2,412.0
Great Lakes Pilotage Authority, Ltd.	81	2.3	2.0	2.7	(2.3)
Halifax Port Corporation	63	66.3	2.5	0.7	63.1
Laurentian Pilotage Authority	245	6.9	6.8	0.7	(0.7)
Marine Atlantic Inc.	2,127	403.1	31.1	385.4	(13.4)
Montreal Port Corporation	348	226.6	8.9	8.5	209.3
Pacific Pilotage Authority	171	7.9	2.4	0.6	4.9
Port of Québec Corporation	65	64.1	2.3	7.5	54.3
Prince Rupert Port Corporation	15	111.7	2.4	15.8	93.5
Saint John Port Corporation	36	88.5	2.1	38.2	44.2
St. John's Port Corporation	16	16.3	0.8	0.1	15.4
St. Lawrence Seaway Authority, The	741	577.8	11.5	12.1	554.1
Jacques Cartier & Champlain Bridges Inc.[1]	42	24.3	8.1	0.3	15.8
Seaway International Bridge Corp. Ltd.[1]	20	2.0	1.6	0.4	0.0
Vancouver Port Corporation	145	366.9	19.1	3.6	344.2
VIA Rail Canada Inc.	4,368	812.5	108.2	63.5	640.9
Total Transportation Sector	**43,565**	**10,132.0**	**1,923.9**	**3,784.7**	**4,419.4**
International Development Research Centre	337	41.3	12.3	4.0	24.9
Total Others	**337**	**41.3**	**12.3**	**4.0**	**24.9**
Grand Total	**115,096**	**56,553.7**	**12,390.8**	**36,904.3**	**7,254.5**

3. Financial data for the Bank of Canada is excluded from the table due to the unique nature of its operations. The corresponding data is available in the Corporation's corporate abstract.

TABLE 2: OPERATING RESULTS AND FINANCING GROUPED BY THE FAA SCHEDULE

(as of year-ends on or before July 31, 1994; $ millions)

	Operating Results		Financing		
			Changes to Net Borrowings		
Corporations by FAA Schedule	**Net Income**	**Cash Flow**	**Private Sector**	**Canada**	**Budgetary Appropriations**
Atlantic Pilotage Authority	(0.8)	(0.6)	(0.1)	0.0	0.3
Atomic Energy of Canada Ltd.	(138.7)	(0.7)	(2.3)	(430.3)	173.5
Canada Deposit Insurance Corporation	3.0	111.6	0.0	(538.1)	0.0
Canada Lands Company Ltd.	0.0	0.0	0.0	0.0	0.0
Canada Lands (Vieux Port de Québec) Inc.[1]	0.0	0.0	0.0	0.0	0.0
Canada Museums Construction Inc.[1]	0.0	0.0	0.0	0.0	0.0
Canada Mortgage and Housing Corporation					
Corporate Account	5.6	10.3	1,308.0	(193.9)	0.0
Minister's Account	0.0	0.0	0.0	0.0	1,899.6
Administered Funds	(56.9)	261.5	0.0	0.0	0.0
Canadian Commercial Corporation	1.2	1.2	(86.0)	0.0	13.8
Canadian Dairy Commission	29.1	n/a	44.4	(92.4)	242.6
Canadian Museum of Civilization	(40.3)	(36.7)	0.0	0.0	39.6
Canadian Museum of Nature	(18.3)	(16.1)	0.0	0.0	19.8
Canadian Saltfish Corporation	(1.1)	(0.9)	(0.0)	0.3	0.0
Cape Breton Development Corporation	(18.8)	12.2	0.0	5.0	38.5
Defence Construction (1951) Ltd.	1.0	1.4	0.0	0.0	17.2
Enterprise Cape Breton Corporation	(9.9)	(9.9)	0.0	0.0	9.8
Export Development Corporation	41.0	250.0	703.8	0.0	0.0
Farm Credit Corporation	28.3	39.1	251.8	(114.8)	0.0
Federal Business Development Bank	4.1	58.8	234.9	0.0	15.1
Freshwater Fish Marketing Corporation	0.2	1.5	(3.2)	(0.3)	0.0
Great Lakes Pilotage Authority, Ltd.	0.0	0.3	0.0	0.0	0.2
Laurentian Pilotage Authority	(6.0)	(5.9)	(0.2)	0.0	6.2
Marine Atlantic Inc.	(0.3)	(3.2)	0.0	0.0	128.3
National Capital Commission	(12.8)	(3.1)	0.0	0.0	89.5
National Gallery of Canada	(29.6)	(27.9)	0.0	0.0	28.7
National Museum of Science and Technology	(15.5)	(14.6)	0.0	0.0	16.2
Old Port of Montreal Corporation Inc.[2]	(5.0)	(3.2)	0.0	0.0	9.7
Pacific Pilotage Authority	0.1	0.3	0.0	0.0	0.0
Queens Quay West Land Corporation	(8.2)	(8.2)	0.0	20.7	0.0
St. Lawrence Seaway Authority, The	(4.0)	8.7	0.0	0.0	0.0
Jacques Cartier & Champlain Bridges Inc.[1]	(36.6)	(35.5)	0.0	0.0	35.7
Seaway International Bridge Corp. Ltd.[1]	0.0	1.8	0.1	0.0	0.0
Standards Council of Canada	0.3	0.5	0.0	0.0	5.6
VIA Rail Canada Inc.	(47.5)	0.9	0.0	0.0	335.3
Total Part 1 Schedule III Corporations	(336.3)	593.8	2,451.2	(1,343.7)	3,125.1

Corporations by FAA Schedule	Operating Results: Net Income	Operating Results: Cash Flow	Financing: Changes to Net Borrowings: Private Sector	Financing: Changes to Net Borrowings: Canada	Financing: Budgetary Appropriations
Canada Development Investment Corporation	(32.7)	11.5	(122.6)	2.0	0.0
Canada Ports Corporation	10.5	15.7	4.5	(0.1)	0.0
Canada Post Corporation	(270.4)	43.8	144.0	0.0	14.0
Canadian National Railway Company	(79.0)	194.0	246.5	(17.0)	0.0
Halifax Port Corporation	0.3	2.4	0.0	0.0	0.0
Montreal Port Corporation	11.4	16.5	0.0	(0.5)	0.0
Petro-Canada Limited	1.0	(10.0)	19.0	0.0	0.0
Port of Québec Corporation	(2.9)	0.4	0.0	0.0	0.0
Prince Rupert Port Corporation	(0.1)	2.3	0.0	(0.4)	0.0
Royal Canadian Mint	7.1	9.9	0.0	(2.7)	0.0
Saint John Port Corporation	(1.7)	1.3	0.0	(2.0)	0.0
St. John's Port Corporation	0.5	1.4	0.0	(1.1)	0.0
Vancouver Port Corporation	11.1	23.3	0.0	(0.3)	0.0
Total Part II Schedule III Corporations	(344.9)	312.3	291.5	(22.0)	14.0
Bank of Canada[3]	-	-	-	-	-
Canada Council	(1.3)	(1.0)	0.0	0.0	99.3
Canadian Broadcasting Corporation	(152.4)	13.7	(0.8)	0.0	1,089.5
Canadian Film Development Corporation	(118.3)	(116.3)	0.0	0.0	132.4
Canadian Wheat Board, The	892.5	n/a	1,084.9	0.0	0.0
International Development Research Centre	24.9	26.6	0.0	0.0	142.0
National Arts Centre Corporation	(21.5)	(18.9)	0.0	0.0	21.5
Total Exempt Corporations	623.9	(95.8)	1,084.1	0.0	1,484.8
Grand Total	(57.2)	810.3	3,826.7	(1,365.7)	4,623.9

1. Four wholly-owned subsiadiaries have been added to the table because their financial affairs are not consolidated with their parent Crown corporation.
2. The Old Port of Montreal Corporation Inc. is a wholly-owned subsidiary of the Canada Lands Company which has been directed to report as a parent corporation.
3. Financial data for the Bank of Canada is excluded from the table due to the unique nature of its operations. The corresponding data is available in the Corporation's corporate abstract.

TABLE 3: COMPARISON OF FINANCIAL POSITION AND RECORDED INVESTMENT OF GOVERNMENT FOR CROWN CORPORATIONS: GROUPED BY CONSOLIDATION STATUS
(as at March 31, 1994; $ millions)

	Financial Position				Recorded Investments of Government		
		Liabilities					
Corporations **Consolidated**	Total Assets	Private Sector and Other	Govern-ment	Total Liabilitiies	Loans and Advances	Equity Investment	Total
Canada Council	157.8	28.0	6.7	34.7	0.0	0.0	0.0
Canada Lands Company Ltd.							
CLC (Vieux-Port de Québec) Inc.	0.5	0.0	0.3	0.3	0.0	0.0	0.0
Canada Museums Construction Inc.	1.6	1.5	0.0	1.5	0.0	0.0	0.0
Canada Mortgage and Housing Corporation							
Minister's Account	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Canadian Broadcasting Corporation	1,582.0	783.7	41.6	825.3	33.0	0.0	33.0
Canadian Film Development Corporation	39.2	10.7	0.1	10.8	0.0	0.0	0.0
Canadian Museum of Civilization	25.2	11.1	0.5	11.6	0.0	0.0	0.0
Canadian Museum of Nature	7.9	5.2	0.4	5.6	0.0	0.0	0.0
Defence Construction (1951) Limited	2.4	2.9	0.3	3.2	0.0	0.0	0.0
Enterprise Cape Breton Corporation	4.4	1.9	0.0	1.9	0.0	0.0	0.0
International Development Research Centre	41.3	14.0	2.3	16.3	0.0	0.0	0.0
Marine Atlantic Inc.	396.7	398.0	10.0	408.0	0.0	0.0	0.0
National Arts Centre Corporation	15.8	4.5	0.1	4.6	0.0	0.0	0.0
National Capital Commission	369.9	38.4	1.5	39.9	0.0	0.0	0.0
National Gallery of Canada	17.4	7.5	1.4	8.9	0.0	0.0	0.0
National Museum of Science and Technology	9.3	2.9	0.3	3.2	0.0	0.0	0.0
Old Port of Montreal Corporation	4.0	3.8	0.3	4.1	0.0	0.0	0.0
Queens Quay West Land Corporation	23.5	2.7	46.8	49.5	45.8	0.0	45.8
St. Lawrence Seaway Authority, The							
Jacques Cartier and Champlain Bridges Inc.	24.3	8.3	0.2	8.5	0.0	0.0	0.0
Standards Council of Canada	2.8	1.3	0.0	1.3	0.0	0.0	0.0
VIA Rail Canada Inc.	804.5	135.3	29.1	164.4	0.0	9.3	9.3
Total consolidated corporations	3,530.5	1,461.7	141.9	1,603.6	78.8	9.3	88.1

- **Loans and Advances, and Equity Investment** represent amounts recorded as assets (financial claims represented by debt instruments and ownership interests) in the accounts of Canada.

- In the Accounts of Canada, the Total Recorded Investment of Government for Crown corporations of $19.3 billion is reduced by a consolidation adjustment and an allowance for valuation. The consolidation adjustment removes the loans, investments and advances of the consolidated corporations included in the Government's reporting entity. The allowance for valuation, of $6.5 billion for 1993-94, reduces the recorded value to the estimated realizable value.

Corporations Unconsolidated	Financial Position				Recorded Investments of Government		
		Liabilities					
	Total Assets	Private Sector and Other	Govern-ment	Total Liabilitiies	Loans and Advances	Equity Investment	Total
Atlantic Pilotage Authority	1.7	1.8	0.0	1.8	0.0	0.0	0.0
Atomic Energy of Canada Ltd.	848.4	365.8	15.7	381.5	15.7	164.2	179.9
Bank of Canada	28,076.6	27,714.4	332.2	28,046.6	5.9	0.0	5.9
Canada Deposit Insurance Corporation	2,387.6	858.0	3,177.3	4,035.3	3,151.0	0.0	3,151.0
Canada Development Investment Corporation	300.0	510.6	19.6	530.2	0.0	395.7	395.7
Canada Mortgage and Housing Corporation							
Corporate Account	9,929.4	1,660.2	8,218.6	9,878.8	8,075.1	25.0	8,100.1
Administered Funds	1,870.2	1,815.8	3.2	1,819.0	0.0	0.0	0.0
Canada Ports Corporation	242.1	10.6	247.8	258.4	50.6	0.0	50.6
Canada Post Corporation	2,612.8	1,373.9	172.0	1,545.9	80.0	0.0	80.0
Canadian Commercial Corporation	390.6	373.0	0.6	373.6	0.0	0.0	0.0
Canadian Dairy Commission	148.3	121.7	26.6	148.3	26.6	0.0	26.6
Canadian National Railway Company	7,680.4	5,113.0	152.9	5,265.9	99.6	2,278.9	2,378.5
Canadian Saltfish Corporation	1.1	0.4	3.7	4.1	3.7	0.0	3.7
Canadian Wheat Board, The	8,058.9	8,032.6	26.3	8,058.9	0.0	0.0	0.0
Cape Breton Development Corporation	379.9	101.5	8.1	109.6	5.0	0.0	5.0
Export Development Corporation	9,308.3	8,348.9	33.0	8,381.9	0.0	813.2	813.2
Farm Credit Corporation	3,773.6	922.6	2,534.1	3,456.7	2,488.2	1,118.3	3,606.5
Federal Business Development Bank	3,021.3	2,740.4	1.3	2,741.7	0.0	303.4	303.4
Freshwater Fish Marketing Corporation	15.6	15.1	0.5	15.6	3.8	0.0	3.8
Great Lakes Pilotage Authority, Ltd.	0.1	2.8	0.0	2.8	0.0	0.0	0.0
Halifax Port Corporation	65.8	2.2	0.1	2.3	0.0	0.0	0.0
Laurentian Pilotage Authority	3.4	5.5	0.0	5.5	0.0	0.0	0.0
Montreal Port Corporation	224.3	13.1	5.0	18.1	4.7	0.0	4.7
Pacific Pilotage Authority	6.9	2.3	0.0	2.3	0.0	0.0	0.0
Petro-Canada Limited	554.1	553.7	0.0	553.7	0.0	0.0	0.0
Port of Québec Corporation	63.3	3.3	6.9	10.2	0.0	0.0	0.0
Prince Rupert Port Corporation	111.8	2.0	16.2	18.2	16.2	0.0	16.2
Royal Canadian Mint	92.8	19.5	10.9	30.4	2.9	40.0	42.9
Saint John Port Corporation	85.5	21.9	18.6	40.5	18.1	0.0	18.1
St. John's Port Corporation	16.2	0.7	0.1	0.8	0.0	0.0	0.0
St. Lawrence Seaway Authority, The	577.8	23.7	0.0	23.7	0.0	0.0	0.0
Seaway International Bridges Corp. Inc.	2.2	0.6	1.6	2.2	0.0	0.0	0.0
Vancouver Port Corporation	367.1	20.4	2.8	23.2	2.7	0.0	2.7
Total unconsolidated Corporations	81,218.1	60,752.0	15,035.7	75,787.7	14,049.8	5,138.7	19,188.5
Grand Total	84,748.6	62,213.7	15,177.6	77,391.3	14,128.6	5,148.0	19,276.6

Corporate Listings

Corporate Listings

Introduction

This section of the Annual Report presents, as of a specified date, all Crown corporations and all corporations of which any shares are held by, on behalf of, or in trust for the Crown or any Crown corporation. It responds to section 151(3)(a) of the *Financial Administration Act*. The Corporate Listings section is organized as follows:

Crown Corporations and Their Corporate Holdings

- The Statistical Summary of Crown Corporations and Their Corporate Holdings — shows the number of parent Crown corporations, subsidiaries and associates on a comparative basis with those of the previous year.

- Changes During the Year — identifies for each parent Crown corporation any changes that have occurred in its wholly-owned subsidiaries since last year's Annual Report.

Other Corporate Interests of Canada

- Statistical Summary — presents the numbers of: mixed and joint enterprises, international organizations and other entities, as at March 31, 1994 in comparison with March 31, 1993.

- Changes to the Listings - presents the names of the other corporate interests of Canada deleted or added to the listings since the last Annual Report.

The Listings are grouped as:

- Mixed Enterprises — corporate entities whose shares are partially owned by Canada, through a Minister. The balance of shares is owned by private sector parties.

- Joint Enterprises — corporate entities whose shares are partially owned by Canada, through a Minister. The balance of shares is owned by another level of government.

- International Organizations — corporate entities created pursuant to international agreements by which Canada has a right to appoint or elect members to a governing body.

- Other Entities — corporate entities created pursuant to international agreements by which Canada has a right to appoint or elect members to a governing body.

Statistical Summary of the Parent Crown Corporations and Their Wholly-Owned Subsidiaries
(as their financial year-ends on or before July 31, 1994)

	1994	1993
Crown Corporations		
• **Parent Crown corporations**	48	48
• **Wholly-owned subsidiaries**	64	62

Changes to the Listings of Crown Corporations and Their Wholly-Owned Subsidiaries

Canadian National Railway Company

AMF Techno Transport Inc.	Added
ECORAIL Inc.	Added
Grand Trunk Land Development Corporation	Deleted
Grand Trunk Finance	Added
MOQ Express Inc.	Added

Queens Quay West Land Corporation

Peter Basin Properties Inc.	Deleted

LISTING OF PARENT CROWN CORPORATIONS[1] AND THEIR CORPORATE HOLDINGS

(as at their financial year-ends on or before July 31, 1994)

1. Atlantic Pilotage Authority (III-I)

2. Atomic Energy of Canada Limited (III-I)

Subsidiary held at 100%

AECL Inc.

3. Bank of Canada (Exempted)

4. Canada Council (Exempted)

5. Canada Deposit Insurance Corporation (III-I)

6. Canada Development Investment Corporation (III-II)

Subsidiaries held at 100%

Canada Eldor Inc. — and its Subsidiaries/Associate
Cameco Corporation (5.7%)
Eldorado Aviation Limited[2]
Eldorado Nuclear (1989) Limited[2]
Eldorado Resources Limited[2]
Cartierville Financial Corporation Inc.
Canada Hibernia Holding Corporation and its Associate
Hibernia Management and Development Company Ltd. (8.5%)
Theratronics International Limited — and its Associate/Subsidiaries
Medical High Technology Inc. (48%)
Meicor Inc. (65%)

Associates held at less than 50%

Varity Corporation[3]

7. Canada Lands Company Limited (III-I)

Subsidiaries held at 100%

Canada Lands Company (Vieux-Port de Québec) Inc.[4]
Canada Museums Construction Corporation Inc.
Old Port of Montreal Corporation Inc. [5]

8. Canada Mortgage and Housing Corporation (III-I)

9. Canada Ports Corporation (III-II)

Subsidiary held at 100%

Ridley Terminals Inc.

10. Canada Post Corporation (III-II)

Subsidiaries held at 100%

Canada Post Systems Management Ltd.
CINA Holdings B.V.— and its Associate
G.D. Net B.V. (12%) — and its Subsidiary
G.D. Express Worldwide N.V. (50%)

Subsidiairies held at 50-99%

Purolator Courrier Ltd. (75%)

Associates held at less than 50%

Cooperative Vereniging International Post Corporation U.A. (6.8%) — and its Subsidiary/Associate
EMS International Post Corporation S.A. (96%)
International Post Corporation S.A. (Unipost) (4%)

11. Canadian Broadcasting Corporation (Exempted)

Associates held at less than 50%

Bramalea (22 million shares)
Cable North Microwave Limited (1 share)
Master FM Limited (20%)
Visnews Limited (1 share)

12. Canadian Commercial Corporation (III-I)

13. Canadian Dairy Commission (III-I)

14. Canadian Film Development Corporation (Exempted)

15. Canadian Museum of Civilization (III-I)

16. Canadian Museum of Nature (III-I)

17. Canadian National Railway Company (III-II)

Subsidiaries held at 100%

Autoport Limited
The Canada and Gulf Terminal Railway Company
Canadian National Express Company
The Canadian National Railways Securities Trust
Canadian National Steamship Company, Limited
Canadian National Telegraph Company — and its Subsidiary
The Great North Western Telegraph Company of Canada (94.54%)
Canadian National Transfer Company Limited
AMF TechnoTransport Inc.
ECORAIL Inc. — and its Subsidiary
MOQ Express Inc.

Subsidiairies held at 50-99%

CNCP Niagara Detroit — and its Subsidiaries
The Canada Southern Railway Company (50%)
The Niagara River Bridge Company.
Detroit River Tunnel Company (50%)
Halterm Limited (50%)
The Northern Consolidated Holding Company Limited (53.9%)
The Quebec and Lake St. John Railway Company (73.25%)
Shawinigan Terminal Railway Company (50%)
Lakespan Marine Inc. (50%)

Associates held at less than 50%

Compagnie de gestion de Matane Inc. (49%)
Corporation de Chauffage Urbain de Montréal (16.6%)
Dome Consortium Investments Inc. (6.7%)
Eurocanadian Shipholdings Limited (18%)
Fort Point Holdings Ltd. (25%)
Innotermodal Inc. (53.3%)
Railroad Association Insurance, Ltd. (7.5%)
St. Clair Tunnel Company (25%)
The Canadian Northern Quebec Railway Company (20.9%)
Scabase Limited (15%)

17. Canadian National Railway Company (III-II) concluded

Subsidiaries held at 100%

Canadian National Transportation, Limited — and its Subsidiaries
Chapman Transport Limited
Empire Freightways Limited
Royal Transportation Limited
Canat Limited
CN (France) S.A.
CNM Inc. — and its Subsidiary/Associates
Lakespan Marine Inc. (50%)
Seabase Limited (15%)
CN Tower Limited
CN Transactions Inc. — and its Subsidiaries
Canac International Inc. — and its Subsidiary
Canac International Ltd.
CN Exploration Inc.
EID Electronic Identification Systems Ltd.
Grand Trunk Corporation — and its Subsidiaries/Associates
Domestic Four Leasing Corporation
Central Vermont Railway, Inc — and its Subsidiary
Domestic Two Leasing Corporation — and its Subsidiary
Relco Financial Corp.
Duluth, Winnipeg and Pacific Railway Company
Grand Trunk Finance — and it Subsidiary
Domestic Three Leasing Corporation
Grand Trunk Technologies, Inc.
The Belt Railway Company of Chicago (8.3%)
Grand Trunk Western Railroad Incorporated — and its Subsidiary/Associates
TTX Company (1.3%)
Société du port ferroviaire de Baie Comeau - Hauterive (12.50)%
St. Clair Tunnel Company
St. Clair Tunnel Construction Company
The Minnesota and Manitoba Railroad Company
The Minnesota and Ontario Bridge Company
Mount Royal Tunnel and Terminal Company, Limited
173835 Canada Inc. — and its Subsidiary
The Toronto Terminal Railway Company Limited (50%)

18. Canadian Saltfish Corporation (III-I)

19. Canadian Wheat Board, The (Exempted)

20. Cape Breton Development Corporation (III-I)

Subsidiaries held at 100%

Cape Breton Carbofuels Limited[2]

21. Defence Construction (1951) Limited (III-I)

22. Enterprise Cape Breton Corporation (III-I)

Subsidiary held at 100%

Cape Breton Marine Farming Limited[2]
DARR (Cape Breton) Limited[2]
Gulf Bras D'Or Estates Limited[2]

Associates held at less than 50%

Canadian Tennis Technology Limited
General Mining Building Limited
Magi Corporation
Silver Screen Star Limited

23. Export Development Corporation (III-I)

24. Farm Credit Corporation (III-I)

25. Federal Business Development Bank (III-I)

Associates held at less than 50%

Cominco Ltd.[3]

26. Freshwater Fish Marketing Corporation (III-I)

27. Great Lakes Pilotage Authority, Ltd. (III-I)

28. Halifax Port Corporation (III-II)

29. International Development Research Centre (Exempted)

30. Laurentian Pilotage Authority (III-I)

31. Marine Atlantic Inc. (III-I)

Subsidiaries held at 100%

Coastal Transport Ltd.
Newfoundland Dockyard Company

32. Montreal Port Corporation (III-II)

Subsidiary held at 100%

176422 Canada Inc.

33. National Arts Centre Corporation (Exempted)

34. National Capital Commission (III-I)

35. National Gallery of Canada (III-I)

36. National Museum of Science and Technology (III-I)

37. Pacific Pilotage Authority (III-I)

38. Petro-Canada Limited (III-II)

39. Port of Québec Corporation (III-II)

40. Prince Rupert Port Corporation (III-II)

41. Queens Quay West Land Corporation (III-I)

Subsidiary held at 100%
630370 Ontario Ltd.

42. Royal Canadian Mint (III-II)

43. Saint John Port Corporation (III-II)

44. St. John's Port Corporation (III-II)

45. St. Lawrence Seaway Authority, The (III-I)

Subsidiaries held at 100%
Great Lakes Pilotage Authority, Ltd[6]
The Jacques Cartier and Champlain Bridges Incorporated
The Seaway International Bridge Corporation, Ltd.

46. Standards Council of Canada (III-I)

47. Vancouver Port Corporation (III-II)

Subsidiary held at 100%
Canada Harbour Place Corporation

48. VIA Rail Canada Inc. (III-I)

Associates held at less than 50%
Railroad Association Insurance, Ltd. (4%)

Notes to Listing of Crown Corporations and Their Corporate Holdings

1. For each parent Crown corporation the parentheses immediately following the corporation's name shows how it is scheduled in the *Financial Administration Act* (FAA). Unscheduled Crown corporations are denoted as *"exempted"* in parentheses. Under the FAA, a subsidiary, if it is wholly-owned directly or indirectly by one or more parent Crown corporation, is a Crown corporation.

2. Inactive corporation.

3. Only non-voting preferred shares are held.

4. Canada Lands Company (Vieux-Port de Québec) Inc. ceased operations on March 31, 1988. A decision has yet to be taken with respect to its formal dissolution pending the resolution of certain legal matters.

5. Old Port of Montreal Corporation Inc., a wholly-owned subsidiary of Canada Lands Company Limited, has been directed to report its affairs as if it were a parent Crown corporation.

6. Not included in Statistical Summary of wholly-owned subsidiaries. Scheduled as a parent Crown corporation pursuant to *The Pilotage Act.*

Other Corporate Interests of Canada

This section of the Annual Report presents as of March 31, 1994, the corporations other than Crown corporations of which any shares are held by, on behalf of, or in trust for the Crown. First, there is statistical summary of and changes to the listings of the Other Corporate Interests of Canada during the year. Next, general descriptive information about these Other Corporate Interests of Canada is provided:

Statistical Summary of the Other Corporate Interests of Canada—presents the numbers of: mixed enterprises, joint enterprises, international organizations, other entities, and corporations for whom shares have been acquired under the *Bankruptcy and Insolvency Act* as at March 31, 1994 in comparison with March 31, 1993.

Changes to the Listings During the Year—presents the names of the other corporate interests of Canada, as at March 31, 1994, deleted or added to the listings since the last Annual Report.

Information about the Other Corporate Interests of Canada

The general background information for each of the mixed enterprises, joint enterprises, international organizations and other entities includes: the federal ownership percentage based on the number of votes, the address of the entity's head office, the responsible Minister, the statutory authority, the year of incorporation, the fiscal year-end, the financial position, the name of the auditor and a brief overview of the organization's mandate along with the government's objective for the investment. Readers may obtain additional information for any specific entity by referring to its statutory authority, its annual report or by contacting the corporation directly. A list of corporations for whom shares have been acquired under the terms of the *Bankruptcy and Insolvency Act* is also provided.

The Listings are grouped as:

Mixed Enterprises — corporate entities whose shares are partially owned by Canada, through a Minister. The balance of shares is owned by private sector parties.

Joint Enterprises — corporate entities whose shares are partially owned by Canada, through a Minister. The balance of shares is owned by another level of government.

International Organizations — corporate entities created pursuant to international agreements by which Canada has a right to appoint or elect members to a governing body.

Other Entities — corporate entities in which Canada holds no shares but, either directly or through a Crown corporation, has a right pursuant to statute, articles of incorporation, letters patent or by-law, to appoint or nominate one or more members to the board of directors or similar governing body.

Corporations under the terms of the *Bankruptcy and Insolvency Act* — corporate entities whose shares are partially owned by Canada following receipt by a trustee in bankruptcy

SUMMARY OF THE OTHER CORPORATE INTERESTS OF CANADA

Statistical Summary of the Other Corporate Interests of Canada.

	1994	1993
	(as at March 31)	
Mixed Enterprises	5	5
Joint Enterprises	3	3
International Organizations	15	15
Other Entities	51	49
Corporations under the terms of the *Bankruptcy and Insolvency Act*	8	11

Changes to the Listings During the Year

Mixed Enterprises

No additions or deletions to the Listing

Joint Enterprises

No additions or deletions to the Listing

International Organizations

No additions or deletions to the Listing

Other Entities

Additions to the Listing

Canada Games Council
Fair Play Canada
1997 Brandon Canada

Deletions from the Listing

1991 Canada Games Foundation (P.E.I.) Inc.

Corporations held under the terms of the *Bankruptcy and Insolvency Act*

Additions to the Listing
Carvern International Industies Ltd.
Kaola Beverages Ltd.
Les laboratoires Quelab Inc.
Selkirk Springs (Canada) Corp.

Deletions from the Listing
Blake Resources
Braeswood Explorations Limited
Havelock Energy and Resources Inc.
International Datacasting Corporation
Mission River Petroleum Ltd.
North Slope Refiners inc.
Solid Gold Capital Corp.

Mixed Enterprises — Description and General Information

Responsible Minister/ Corporation	Mandate/ Government Objective	Head Office Information	Statutory Authority and Year Incorporated	Fiscal Year End/ Total Assets (A)/ Liabilities (L)/ Auditor	Federal Ownership
Minister of Finance and Minister responsible for the Federal Office of Regional Development - Quebec					
National Sea Products Limited	To process and market fish, seafoods and fish by-products around the world.	P.O. Box 910 Lunenburg, N.S. B0J 2C0 (902) 422 - 9381	The Companies Act of Nova Scotia, amalgamated in 1967	January 1 A = $137.0M L = $131.7M Ernst & Young	11%
Petro-Canada	To enhance shareholder's value through development, production and distribution of hydrocarbons and other types of fuel and energy.	150-6th Ave. S.W. 52nd Floor, West Tower Calgary, Alberta T2P 3E3 (403) 296 - 8000	Canada Business Corporations Act, 1975	December 31 A = $5.4B L = $2.7B Arthur Andersen & Company	70%
Minister of Natural Resources					
Cooperative Energy Corporation	Corporation established as a holding company for the group's equity interest in Co-enerco Resources Ltd. which was sold in 1993. The corporation is being wound down.	Suite 1600, 530-8 Avenue S.W. Calgary, Alta. T2P 3S8 (403) 266 - 7800	Cooperative Energy Act, 1982	December 31 A = $2M L = nil Deloitte & Touche	50%
NPM Nuclear Project Managers Canada Inc.	Nuclear project and construction management. To transfer this activity to the private sector.	2020 University 22nd Floor Montreal, Quebec H3A 2A5 (514) 288 - 1990	Canada Business Corporations Act, 1982	March 31 A = $33.3M L = $28.6M Price Waterhouse	17%
Minister of Transport					
Canarctic Shipping Company Limited	To demonstrate Canadian capability in Arctic ship design and operation; and to use the ship: as a demonstration of sovereignty, for advancing ice navigation technology, and for effectively testing the extension of the arctic season.	150 Metcalfe Street P.O. Box 39 Ottawa, Ontario K2P 1P1 (613) 234 - 8414	Canada Business Corporations Act, 1976	December 31 A = $11.4M L = $11.1M Coopers & Lybrand	51%

M = millions of dollars
B = billions of dollars

Joint Enterprises — Description and General Information

Responsible Minister/ Corporation	Mandate/ Government Objective	Head Office Information	Statutory Authority and Year Incorporated	Fiscal Year End/ Total Assets (A)/ Liabilities (L)/ Auditor	Federal Ownership
Minister of Finance and Minister Responsible for the Federal Office of Regional Development - Quebec					
Société du parc industriel et portuaire Québec-Sud	To encourage, in the town of Lauzon, the development of an industrial park and harbour facility suited to major industrial projects. To manage this industrial park and harbour facility.	10, rue Giguère Lévis-Lauzon, Québec G6V 1N6 (418) 833 - 5925	Loi spéciale Gouvernement du Québec, 1974	March 31 A = $2.7M L = $0.2M Laliberté, Lanctôt, Coopers & Lybrand	40%
Minister of Human Resources Development and Minister of Western Economic Diversification					
North Portage Development Corporation	To foster the social and economic redevelopment of the North Portage area in Winnipeg.	56 The Promenade Winnipeg, Man. R3B 3H9 (204) 947 - 1744	Manitoba Corporations Act, 1983	March 31 A = $99.3M L = $25.7M Coopers & Lybrand	33%
Minister of Natural Resources					
Lower Churchill Development Corporation Limited	To establish a basis for the development of all or part of the hydroelectric potential of the Lower Churchill basin and the line transmission of this energy to markets.	P.O. Box 12700 St. John's, Nfld. A1B 3T5 (709) 737 - 1400	Newfoundland Companies Act, 1978	December 31 A = $30.1M L = $6.0M Ernst & Young	49%

M = millions of dollars

International Organizations — Description and General Information

Responsible Minister/ Corporation	Mandate/ Government Objective	Head Office Information	Statutory Authority and Year Incorporated	Auditor	Federal Ownership
Deputy Prime Minister and Minister of the Environment					
International Porcupine Caribou Board	To provide advice and recommendations that will improve cooperation and coordination between Canada and the USA in managing the Porcupine Caribou Herd.	c/o CWS Box 340 Delta, B.C. V4K 3Y3 (604) 666 - 0143	Agreement signed by the USA and Canada on the Conservation of the Porcupine Caribou Herd, 1987	N/A	N/A
Minister of Finance and Minister Responsible for the Federal Office of Regional Development - Quebec					
European Bank for Reconstruction and Development	To develop a vibrant private sector and to help foster the transition from centrally planned economies to market economies in the new Europe.	One Exchange Square London, England EC2A 2EH 071 - 338 - 6000	European Bank for Reconstruction and Development Agreement Act, 1991	Deloitte Touche Tohmatsu	3.4%
International Bank for Reconstruction and Development	To assist in the reconstruction and development of territories of member countries.	1818 H Street, N.W. Washington, D.C. U.S.A. 20433 (202) 623 - 1000	Bretton Woods Agreements and Related Act, 1945	Price Waterhouse	3.3%
International Development Association	To promote economic development, increase productivity and thus raise standards of living in the less-developed areas of the world.	1818 H Street, N.W. Washington, D.C. U.S.A. 20433 (202) 477 - 1234	Articles of Agreement; 1960, International Development Association Act, 1960	Price Waterhouse	3.1%
International Finance Corporation	To further economic development by encouraging the growth of productive enterprise in member countries, supplementing the activities of the International Bank for Reconstruction and Development.	1850 H Street, N.W. Washington, D.C. U.S.A. 20433 (202) 477 - 1234	Articles of Agreement; Vote 731, Appropriation Act No.6, 1956	Price Waterhouse	3.7%
International Monetary Fund	Established to promote economic welfare by encouraging the expansion of trade, the maintenance of orderly exchange arrangements, and the reduction of balance of payments.	700 19th St., N.W. Washington, D.C. U.S.A. 20431 (202) 623 - 7430	Agreement signed by member Countries, 1945	External Audit Committee	3.0%
Multilateral Investment Guarantee Agency	To encourage the flow of investments for productive purposes among member countries, thus supplementing the activities of International Bank for Reconstruction and Development, the International Finance Corporation and other international development finance institutions.	1818 H Street N.W. Washington, D.C. U.S.A. 20433 (202) 477 - 1234	Bretton Woods and Related Agreements Act, 1988	Price Waterhouse	2.9%
Minister of Foreign Affairs					
African Development Bank	To contribute to the economic development and social advancement of the member countries, individually and collectively. To contribute to the achievement of Canada's development assistance, foreign policy and trade objectives.	01, Box 1387 Abidjan 01 Ivory Coast Africa 011-225-20-44-44	Agreement signed by member countries, 1963 and the *International Development (Financial Institutions) Continuing Assistance Act.*	Akintola Williams & Hassan Inc. and Deloitte & Touche	3.0%

Responsible Minister/ Corporation	Mandate/ Government Objective	Head Office Information	Statutory Authority and Year Incorporated	Auditor	Federal Owner-ship
Minister of Foreign Affairs (Concluded)					
African Development Fund	To assist the African Development Bank in the economic and social development of the Bank's members. To contribute to the achievement of Canada's development assistance, foreign policy and trade objectives.	01, P.O. Box 1387 Abidjan Ivory Coast Africa 011-225-20-44-44	Agreement signed by member countries, 1972, P.C. 1972-2595 and the *International Development (Financial Institutions) Continuing Assistance Act.*	Akintola Williams & Hassan Inc. and Deloitte & Touche	5.0%
Asian Development Bank	To lend funds, promote investment and provide technical assistance to developing countries, and generally to foster economic growth in the Asian Region. To contribute to the achievement of Canada's development assistance, foreign policy and trade objectives.	P.O. Box 789 1099 Manila, Philippines 011-632 - 711 - 3851	Agreement signed by member countries, 1965 and the *International Development (Financial Institutions) Continuing Assistance Act.*	Deloitte & Touche	5.5%
Caribbean Development Bank	To contribute to the harmonious economic growth and development of the member countries, and integration among them, having special and urgent regard to the needs of the less developed members of the region. To contribute to the achievement of Canada's development assistance, foreign policy and trade objectives.	P.O. Box 408 Wilday, St. Michael Bridgetown Barbados 1-8-809 - 429 - 3550	Agreement signed by member countries, 1969 and the *International Development (Financial Institutions) Continuing Assistance Act.*	Price Waterhouse	9.7%
Inter-American Development Bank	To contribute to the acceleration of the process of economic development of the member countries, individually or collectively. To contribute to the achievement of Canada's development assistance, foreign policy and trade objectives.	1300 New York Ave. Washington, D.C. U.S.A. 20577 (202) 623 - 1000	Agreement signed by member countries, 1959 and the *International Development (Financial Institutions) Continuing Assistance Act.*	Price Waterhouse	4.1%
International Boundary Commission	To maintain the demarcation and cartographic representation of the land and water boundary between Canada and the United States, and to regulate all construction within three metres of the boundary line.	615 Booth Street Room 130 Ottawa, Ontario K1A 0E9 (613) 995 - 4951	Treaty of Washington, 1908, International Boundary Commission Act, 1960	Arthur Anderson & Company	N/A
International Fund for Agricultural Development	To increase food production, reduce malnutrition and rural poverty in the Third World. To contribute to the achievement of Canada's development assistance, foreign policy and trade objectives.	107 via del Serafico 00142 Rome Italy 011-39-6 - 440 - 2991	International Agreement, 1977 International Fund for Agricultural Development, 1977	Price Waterhouse	3.9%
Minister of National Defence and Minister of Veterans Affairs					
Commonwealth War Graves Commission	To mark and maintain graves and memorials and keep records of the members of the Forces of the Commonwealth who died in the two World Wars.	2 Marlow Road Maidenhead, Berkshire U.K. SL6 7DX (0628) 34221	Royal Charter, 1917	Coopers Lybrand & Deloitte	N/A

N/A = not applicable or not available at time of printing

Other Entities — Description and General Information

Responsible Minister/ Corporation	Mandate/ Government Objective	Head Office Information	Statutory Authority and Year Incorporated	Auditor
Minister of Agriculture and Agri-Food				
Canada Grains Council	To encourage a coordinated effort in improving Canada's performance in world grain markets, to promote and conduct research, and to formulate recommendations and provide advice to government representing a concensus within the industry.	360 Main Street Suite 760 Winnipeg, Man. R3C 3Z3 (204) 942 - 2254	Canada Corporations Act, 1969	KPMG Peat Marwick Thorne
Canadian International Grains Institute	To promote, on a non-profit basis, for the general advantage of Canada, the development, maintenance and enlargement of Canadian and international markets for Canadian grains and oilseeds and the products thereof.	303 Main St. Suite 1000 Winnipeg, Man. R3C 3G7 (204) 983 - 3289	Canada Corporations Act, 1972	Deloitte & Touche
Canadian Livestock Records Corporation	To perform services for and on behalf of members of the fifty Breed Associations. To ensure the maintenance of the General Stud and Herd Books.	2417 Holly Lane Ottawa, Ontario K1V 0M7 (613) 731 - 7110	Animal Pedigree Act, 1988	Ernst & Young
POS Pilot Plant Corporation	To be a practical world-class research and development facility for Canadian and international industry so that secondary and tertiary industry can be started and developed in Canada.	118 Veterinary Rd. Saskatoon, Sask. S7N 2R4 (306) 975 - 7066	Canada Corporations Act, 1973	Peat Marwick Thorne
Western Grains Research Foundation	To initiate, encourage, support and conduct research into grain production and into economic and market development of grain products.	118 Veterinary Rd. Saskatoon, Sask. S7N 2R4 (306) 975 - 0060	Canada Corporations Act, 1981	Coopers & Lybrand
Minister of Canadian Heritage				
Association for the Export of Canadian Books	To promote the export of Canadian books. To administer the export budget for the Department of Canadian Heritages' Book Publishing Industry Development Program.	1 Nicholas St. Suite 1101 Ottawa, Ontario K1N 7B7 (613) 562 - 2324	Canada Corporations Act, 1972	Robert B. Shortley
Calgary Olympic Development Association	To foster the development of Canadian athletics; to administer the Olympic Endowment Funds; and to operate and maintain the Canada Olympic Park.	The Day Lodge Canada Olympic Park Beaufort Road, N.W., SS#1 Calgary, Alta. T2M 4N3 (403) 247 - 5416	Societies Act of Alberta, 1979	Price Waterhouse

Responsible Minister/ Corporation	Mandate/ Government Objective	Head Office Information	Statutory Authority and Year Incorporated	Auditor
Minister of Canadian Heritage (Continued)				
Canada Games Council	To provide a major national multi-sport event for the best young athletes in all provinces and territories.	1600 James Naismith Drive Gloucester, Ontario K1B 5N4 (613) 748 - 5799	Canada Corporations Act, 1991	Deloitte & Touche
Canadian Sport and Fitness Administration Centre	To provide support services in the areas of administration and promotion.	1600 James Naismith Drive Gloucester, Ontario K1B 5N4 (613) 748 - 5708	Canada Corporations Act, 1974	Peat Marwick, Mitchell & Co.
Coaching Association of Canada	To improve the formal training of coaches through the National Coaching Certification Program and related programs, and to consolidate a profession of coaching which will ensure job opportunities are matched by qualified candidates.	1600 James Naismith Drive Gloucester, Ontario K1B 5N4 (613) 748 - 5624	Canada Corporations Act, 1971	Ouseley Hanvey
Fair Play Canada	To promote the concept of fair play within the Canadian sport system.	1600 James Naismith Drive Gloucester, Ontario K1B 5N4 (613) 748 - 5883	Canada Corporations Act, 1993	Ouseley Hanvey
Kamloops 1993 Canada Games Host Society, The	To plan, organize and stage the 1993 Canada Summer Games.	74 Seymour Street Kamloops, B.C. V2C 1E2 (604) 828 - 5697	Society Act of B.C., 1990	Price Waterhouse
Sport Information Resource Centre	To maintain a non-profit national sport information resource centre to serve the educational needs of those involved in the development of sport and fitness in Canada.	1600 James Naismith Drive Gloucester, Ontario K1B 5N5 (613) 748 - 5658	Canada Corporations Act, 1987	Guindon Charron
Terry Fox Humanitarian Award Inc.	To encourage Canadian youth to seek high ideals as represented by Terry Fox by granting commemorative scholarships for the pursuit of higher education. To establish, maintain and manage an endowment fund.	711-151 Sparks St. Ottawa, Ontario K1P 5E3 (613) 235 - 1803	Canada Corporations Act, 1982	Deloitte & Touche
1997 Brandon Canada	To plan, organize and stage the 1997 summer games	108 - 18th Street Brandon, Manitoba R7A 5A4 (204) 729 - 1997	Corporation Act of Manitoba	no auditor appointed
1995 Canada Winter Games Host Society	To plan, organize and stage the 1995 Canada Winter Games.	P.O. Box 1995 Grande Prairie, Alberta T8V 6V2 (403) 539 - 1995	Alberta Society Act, 1990	N/A

Responsible Minister/ Corporation	Mandate/ Government Objective	Head Office Information	Statutory Authority and Year Incorporated	Auditor
Minister of Canadian Heritage (Concluded)				
1995 World Nordic Championships Organizing Committee	To organize the 1995 World Nordic Championships.	3rd Floor, City Hall 500 Donald St. East Thunder Bay, Ontario N7T 7H7 (807) 343 - 8744	Ontario Business Corporations Act, 1991	Ernst & Young
1994 Victoria Commonwealth Games Host Society	To organize and stage the XVth Commonwealth Games.	Suite 1210 345 Quebec Street Victoria, B.C. V8W 3M8 (604) 380 - 1994	Society Act of British Columbia, 1988	Peat Marwick Thorne
1989 Jeux Canada Games Foundation Inc.	To promote and support amateur sport throughout host provinces by directing the surplus generated by sound management of the Games.	P.O. Box 1989 Saskatoon, Sask. S7K 3S5 (306) 664 - 2789	Non-Profit Corporations Act, 1990	Horachek Cannam Joa
Deputy Prime Minister and Minister of the Environment				
Wildlife Habitat Canada	To promote the conservation, restoration and enhancement of wildlife habitat in Canada in order to retain the diversity, distribution and abundance of wildlife.	7 Hinton Avenue Suite 200 Ottawa, Ontario K1Y 4P1 (613) 722 - 2090	Canada Corporations Act, 1984	Peat Marwick Thorne
Minister of Finance and Minister Responsible for the Federal Office of Regional Development - Quebec				
Buffalo and Fort Erie Public Bridge Authority	To construct, maintain and operate a bridge across the Niagara River between Buffalo, New York and Fort Erie, Ontario.	The Peace Bridge Peace Bridge Plaza Buffalo, N.Y. 14213 U.S.A. (716) 884 - 6744	Buffalo and Fort Erie Public Bridges Company Act, 1934	Ernst and Young
Minister of Fisheries and Oceans				
International Fisheries Commissions Pension Society	To arrange for and administer the provision of pensions and insurance for Canadian employees of any international fisheries commission, whose seat or headquarters is established and maintained by Canada or the U.S., or both.	c/o Department of Fisheries and Oceans 200 Kent Street Ottawa, Ontario K1A 0E6 (613) 993 - 1860	Canada Corporations Act, 1957	Auditor General of Canada

Responsible Minister/ Corporation	Mandate/ Government Objective	Head Office Information	Statutory Authority and Year Incorporated	Auditor
Minister of Foreign Affairs				
Asia-Pacific Foundation of Canada	To develop closer ties between the peoples and institutions of Canada and the Asia-Pacific region.	Suite 666 999 Canada Place Vancouver, B.C. V6C 3E1 (604) 684 - 5986	Asia-Pacific Foundation of Canada Act, 1984	Arthur Anderson & Co.
International Centre for Human Rights and Democratic Development	To promote and support cooperation between Canada and other countries for the purpose of developing and strengthening human rights institutions.	63, rue de Brésoles 1st Floor Montreal, Quebec H2Y 1V7 (514) 283 - 6073	International Centre for Human Rights and Democratic Development Act, 1988	Auditor General of Canada
Minister of Foreign Affairs				
Roosevelt Campobello International Park Commission	To administer as a memorial the Roosevelt Campobello International Park.	P.O. Box 9 Welshpool, Campobello Is, N.B. E0G 3H0 (506) 752 - 2992	The Roosevelt Campobello International Park Commission Act, 1964	Foster, Carpenter, Black & Co.
Minister of Health				
Board of Trustees of the Queen Elizabeth II Canadian Fund to Aid in Research on the Diseases of Children	To further research into the diseases of children and the prevention and cure of such diseases.	Holland Cross 5th Floor, Tower B 1600 Scott Street Ottawa, Ontario K1A 0W9 (613) 954 - 1813	Queen Elizabeth II Canadian Research Fund Act, 1959	Auditor General of Canada
Canadian Centre on Substance Abuse	To promote increased awareness, on the part of Canadians, of matters relating to alcohol and drug abuse and their increased participation in the reduction of harm associated with such abuse, and to promote the use of relevant programs.	112 Kent Street Suite 480 Ottawa, Ontario K1P 5P2 (613) 235 - 4048	Canadian Centre on Substance Abuse Act, 1988	McIntyre & McLarty
Canadian Fitness and Lifestyle Research Institute	To conduct research, and collect, interpret and disseminate information pertaining to the fitness levels of Canadians.	1600 James Naismith Drive Gloucester, Ontario K1B 5N4 (613) 748 - 5791	Canada Corporations Act, 1980	Ouseley Hanvey
Medical Council of Canada	To promote and effect the establishment of a qualification in medicine, such that the holders thereof shall be acceptable and empowered to practice in all the provinces of Canada.	2283 St. Laurent Blvd P.O. Box 8234 Ottawa, Ontario K1G 3H7 (613) 521 - 6012	Canada Medical Act, 1912	Cox - Merritt and Co.

Responsible Minister/ Corporation	Mandate/ Government Objective	Head Office Information	Statutory Authority and Year Incorporated	Auditor
Minister of Health (Concluded)				
PARTICIPaction	To inform Canadians about the positive benefits of physical fitness and to motivate them to adopt healthy, physically active lifestyles. To promote fitness through participation in sport and physical recreation.	40 Dundas St. West Suite 220 Toronto, Ontario M5G 2C2 (416) 977 - 7467	Canada Corporations Act, 1971	KPMG Peat Marwick Thorne
Minister of Indian Affairs and Northern Development				
Northern Native Fishing Corporation	To preserve a fleet of fishing vessels and related licences for the long-term benefit of native fishermen, and to foster their development as independent business operators.	P.O. Box 876 4-214 Third Ave. W. Prince Rupert, B.C. V8J 3Y1 (604) 627 - 8436	British Columbia Companies Act, 1982	Carlyle Shepherd & Co.
Minister of National Defence and Minister of Veterans Affairs				
Army Benevolent Fund	To relieve distress and promote the well-being of Second World War veterans of the Canadian Army and their dependants through the provision of financial assistance.	245 Cooper Street Ottawa, Ontario K2P 0G2 (613) 996 - 6150	Army Benevolent Fund Act, 1947	Auditor General of Canada
Last Post Fund	To ensure the provision of a dignified funeral and burial to eligible war veterans.	685 Cathcart St. Suite 921 Montreal, Quebec H3B 1M7 (514) 866 - 2888	Federal Charter, 1921	Consulting and Audit Canada
Minister of Natural Resources				
Forest Engineering Research Institute of Canada	To conduct research and development aimed at improving the efficiency of operations relating to the harvesting and transportation of wood and to improving the equipment used for silvercultural and private woodlots forestry.	580 St. Jean Blvd Pointe Claire, Quebec H3R 3J9 (514) 694 - 1140	Canada Corporations Act, 1976	Bélair, Deloitte & Touche
Forintek Canada Corporation	To be the leading force in the technological advancement of the Canadian wood products industry, through creation and implementation of innovative concepts, processes, products, and education programs.	2665 East Mall University of British Columbia Vancouver, B.C. V6T 1W5 (604) 224 - 3221	Canada Corporations Act, 1979	Deloitte & Touche
Maritime Forestry Complex Corporation	To establish a Maritime Provinces Regional Forestry Complex.	Hugh John Flemming Forestry Centre RR#10, Fredericton, N.B. E3B 6H6 (506) 453 - 3801	Maritime Forestry Complex Corporations Act, New Brunswick, 1980	Deloitte & Touche

Responsible Minister/ Corporation	Mandate/ Government Objective	Head Office Information	Statutory Authority and Year Incorporated	Auditor
Minister of Natural Resources (Concluded)				
National Community Tree Foundation	To promote public awareness and education regarding Canada's forests, to provide leadership and community action in building the conservation ethic in Canada and in coordinating actions and soliciting cooperation and funding, in support of tree planting and forest conservation.	220 Laurier Avenue West Suite 1550 Ottawa, Ontario K1P 5Z9 (613) 567 - 5545	Canada Corporations Act, 1991	Peat Marwick Thorne
Pulp and Paper Research Institute of Canada	To enhance the technical competitiveness of its member companies by providing them with basic research data and improved technology.	570 Saint-Jean Blvd. Pointe Claire, Quebec H9R 3J9 (514) 630 - 4100	Canada Companies Act, 1950	Deloitte & Touche
Prime Minister				
Nature Trust of British Columbia, The	To purchase and preserve ecologically important parcels of land in B.C.	808-100, Park Royal South, West Vancouver, B.C. V7T 1A2 (604) 925 - 1128	Canada Corporations Act, 1971	Peat Marwick Thorne
Vanier Institute of the Family, The	To promote the spiritual and material well-being of Canadian families and to study their social, physical, mental, moral and financial environment and characteristics.	120 Holland Ave. Ottawa, Ontario K1A 0X6 (613) 722 - 4007	Canada Business Corporations Act, 1965	McCoy & Duff
Minister of Transport				
Blue Water Bridge Authority	To acquire, hold, operate, maintain and repair the Canadian portion of the Blue Water Bridge which links Point Edward, Ontario and Port Huron, Michigan.	Bridge Street Point Edward, Ontario N7V 4J5 (519) 336 - 2720	Blue Water Bridge Authority Act, 1964	Deloitte & Touche
Saint John Harbour Bridge Authority	To construct a bridge across the Harbour of Saint John, and to collect tolls and other charges for the operation and maintenance of the bridge.	29 King Street P.O. Box 3728 Station B West Saint John, N.B. E2M 5C1 (506) 635 - 1320	An Act to Establish a Harbour Bridge Authority in the City of Saint John, New Brunswick, 1962	Deloitte & Touche
HARBOUR COMMISSIONS:	To manage and control the harbour and the works and property therein under its jurisdiction. To develop the port and act as a catalyst in the utilization of port facilities and furthering trade nationally and internationally.			
Fraser River Harbour Commission		Suite 505 713 Columbia Street New Westminster, B.C. V3M 1B2 (604) 524 - 6655	Harbour Commission Act, 1964	Doane Raymond

Responsible Minister/ Corporation	Mandate/ Government Objective	Head Office Information	Statutory Authority and Year Incorporated	Auditor
Minister of Transport (Concluded)				
HARBOUR COMMISSIONS (Concluded)				
Hamilton Harbour Commission		605 James Street N. Hamilton, Ontario L8L 1K1 (905) 525 - 4330	Harbour Commission Act, 1964	McGillivray Partners
Nanaimo Harbour Commission		104 Front Street P.O. Box 131 Nanaimo, B.C. V9R 5R9 (604) 753 - 4146	Harbour Commission Act, 1964	Bestwick and Partners
North Fraser Harbour Commission		2020 Airport Road Richmond, B.C. V7B 1C6 (604) 273 - 1866	Harbour Commission Act, 1964	Dunwoody, Ward, Mallette
Oshawa Harbour Commission		1050 Farwell Street P.O. Box 492 Oshawa, Ontario L1H 6N6 (905) 576 - 0400	Harbour Commission Act, 1964	Deloitte & Touche
Port Alberni Harbour Commission		2750 Harbour Road P.O. Box 99 Port Alberni, B.C. V9Y 7W6 (604) 723 - 5312	Harbour Commission Act, 1964	Newman Hill Duncan & Lacoursière
Thunder Bay Harbour Commission		P.O. Box 2266 Thunder Bay, Ontario P7B 5E8 (807) 345 - 6400	Harbour Commission Act, 1964	Peat Marwick Thorne
Toronto Harbour Commission		60 Harbour Street Toronto, Ontario M5J 1B7 (416) 863 - 2020	Toronto Harbour Commissioners Act, 1911	N/A
Windsor Harbour Commission		500 Riverside Drive W. Windsor, Ontario N9A 5K6 (519) 258 - 5741	Harbour Commission Act, 1964	Coopers & Lybrand

N/A = not applicable or not available at time of printing

Listing of Corporations shares of which have been acquired pursuant to the *Bankruptcy and Insolvency Act*

The Superintendent of Bankruptcy has received shares in the following corporations from the trustee pursuant to the *Bankruptcy and Insolvency Act*.

1. Amertek Inc.
2. Carvern International Industries Ltd.
3. Colby Resources Corp.
4 Gemini Technology Inc.
5. Koala Beverages Ltd.
6. Kenloch Distillers Ltd.
7. Les laboratoires Quelab Inc.
8. Selkirk Springs (Canada) Corp.

Report on Tablings in Parliament

Introduction

This report shows the tablings in Parliament, by appropriate Ministers, of Crown corporation documents that were to be tabled in the year ended July 31, 1994 as required pursuanto Section 152(1) of the *Financial Administration Act* (FAA). For each Crown corporation, the deadlines for tabling and the dates of actual tabling of the corporation's Corporate Plan Summary, its Capital (and, if applicable, Operating) Budget Summary, and its Annual Report are presented.

Objectives of this Report

The provision of adequate and timely information to Parliament is a major objective of the control and accountability regime for Crown corporations. To meet that objective, Ministers responsible for Crown corporations table a Corporate Plan Sury, a Capital Budget Summary and an Annual Report in Parliament for each Crown corporation listed under Part I and Part II of Schedule III of the FAA. In addition, an Operating Budget Summary is tabled for Crown cporations listed in Part I of Schedule III.

The Corporate Plan and Budget Summaries inform parliamentarians of the major strategic and financial elements of each Crown corporation. The summaries are based on the approved Corporate Plan and Budgets and cover the businesses, activities and investments of a corporation and of its wholly-owned subsidiaries with respect to its future operations. The corporation's annual report informs Parliament of a corporation's performance relative to the objectives, strategies and activities approved by the government and tabled in the previous Corporate Plan and Budget Summaries. Information on annual reports and corporate plan and budget summaries may be obtained by contacting the individual corporations. The Corporate Abstracts section of this Report provides additional information on individual Crown corporations.

The Deadlines for Tablings in Parliament

The deadlines for the tabling, before each House of Parliament, for the Corporate Plan Summary, Budget Summary and Annual Report are:

- *Corporate Plan Summary*: 30 sitting days after approval by the Governor in Council of the Corporate Plan. A Summary of an amended Corporate Plan has the same deadline.
- *Budget Summary*: (Capital and Operating Budget): 30 sitting days after Treasury Board approval of the Budget.
- *Annual Report:* A corporation is to submit, to the appropriate Minister, an annual report within three months of its financial year-end. The appropriate Minister has 15 sitting days to table the Annual Report in each House of Parliament.

The deadlines for tabling indicated in this report for the *Corporate Plan Summary* are calculated from the date of the Order-in-Council approving the Corporate Plan and those for the

Budget Summary from the date of the Treasury Board decision letter approving the Budget. When the Operating and/or Capital Budgets are incorporated into the Corporate Plan, the Budget Summaries deadlines are the same as those for the Corporate Plan Summary. For the *Annual Report* the deadlines are calculated from the earlier of the acknowledgement date of receipt by the appropriate Minister, when available, or three months following the fiscal year-end of the corporation.

Tables

The record of tablings of annual reports and summaries for the period July 31, 1993 to July 31, 1994, in the following tables, provides information concerning: a) those documents due to be tabled during the current reporting period, and b) those documents due to be tabled in a previous reporting period and actually tabled during the current one. Section 152(2) of the FAA requires the Auditor General of Canada to attest to the accuracy of this information in the Auditor General's annual Report to the House of Commons.

Excellence in Reporting

In 1994 the Auditor General of Canada introduced the Award for Excellence in Annual Reporting by Crown Corporations. The Award recognizes those corporations that provided the best accountability information and is intended to act as an incentive to corporations to improve their annual reporting to Parliament. All Crown corporations were included in the review, even those exempt from Part X of the *Financial Administration Act.*

Two groupings of Crown corporations were identified, based primarily on size. The panel of experts drawn from the public and private sectors selected **Defence Construction (1951) Limited** and **Export Development Corporation** as the Award's first recipients. The Awards were presented by the Auditor General, at the Conference on *Corporate Governance: Improving the effectiveness of Crown Corporation Boards*, in October 1994.

Notes to the table:

1. There have not been 30 sitting days since the approval by Governor in Council of the Corporate Plan or the ammended Corporate Plan.

2. There have not been 30 sittings days since the approval by Treasury Board, or the Governor in Council when budgets are incorporated into the Corporate Plan.

3. There have not been 15 sitting days since receipt by the appropriate Minister or three months following the fiscal year-end of the corporation.

Tablings in Parliament for Scheduled Parent Crown Corporations: Annual Reports and Summaries of Corporate Plans and Budgets During the year ended July 31, 1994

Document to be Tabled	House of Commons Deadline	House of Commons Tabled	Senate Deadline	Senate Tabled
Atlantic Pilotage Authority				
1993 Annual Report	29-Apr-94	21-Apr-94	8-Jun-94	26-Apr-94
1994 Capital Budget Summary	25-Feb-94	22-Feb-94	2-Jun-94	23-Feb-94
1994 Operating Budget Summary	25-Feb-94	22-Feb-94	2-Jun-94	23-Feb-94
1994/98 Corporate Plan Summary	25-Feb-94	22-Feb-94	2-Jun-94	23-Feb-94
Atomic Energy of Canada Ltd.				
1992/93 Annual Report	4-Feb-94	20-Jan-94	21-Mar-94	8-Feb-94
1993/94 Capital Budget Summary	4-Jun-93	7-Jun-93	19-Jan-94	8-Jun-93
1993/94 Operating Budget Summary	4-Jun-93	7-Jun-93	19-Jan-94	8-Jun-93
1993/94-1997/98 Corporate Plan Summary	4-Jun-93	7-Jun-93	19-Jan-94	8-Jun-93
Canada Deposit Insurance Corporation (i)				
1994/95 Capital Budget Summary	25-Feb-94	24-Feb-94	2-Jun-94	15-Mar-94
1994/95 Operating Budget Summary	25-Feb-94	24-Feb-94	2-Jun-94	15-Mar-94
1993/95 Capital Budget Summary Amendment	30-May-94	4-May-94	note 2	10-May-94
1993/95 Operating Budget Summary Amendment	30-May-94	4-May-94	note 2	10-May-94
1994/95-1998/99 Corporate Plan Summary	25-Feb-94	24-Feb-94	2-Jun-94	15-Mar-94
Canada Development Investment Corporation				
1993 Annual Report	29-Apr-94	2-May-94	8-Jun-94	10-May-94
1993 Capital Budget Summary Amendment	3-Jun-93	3-May-93	18-Jan-94	4-May-93
1994 Capital Budget Summary	25-Feb-94	23-Feb-94	2-Jun-94	24-Feb-94
1993/97 Corporate Plan Summary Amendment	3-Jun-93	3-May-93	18-Jan-94	4-May-93
1994/98 Corporate Plan Summary	25-Feb-94	23-Feb-94	2-Jun-94	24-Feb-94
Canada Lands Company Ltd.				
1992/93 Annual Report	4-Feb-94	1-Feb-94	21-Mar-94	8-Feb-94
1994/95 Capital Budget Summary	30-May-94	27-May-94	note 2	31-May-94
1994/95 Operating Budget Summary	30-May-94	27-May-94	note 2	31-May-94
1994/95-1998/99 Corporate Plan Summary	30-May-94	27-May-94	note 1	31-May-94
Canada Mortage and Housing Corporation				
1993 Annual Report	29-Apr-94	29-Apr-94	8-Jun-94	10-May-94
1993 Capital Budget Summary Amendment (ii)	14-Feb-94	not tabled	19-Apr-94	not tabled
1994 Capital Budget Summary	25-Feb-94	9-Feb-94	2-Jun-94	10-Feb-94
1994 Operating Budget Summary	25-Feb-94	9-Feb-94	2-Jun-94	10-Feb-94
1994/98 Corporate Plan Summary	25-Feb-94	9-Feb-94	2-Jun-94	10-Feb-94

i. Canada Deposit Insurance Corporation has changed its year-end from December 31 to March 31.
ii. Canada Mortgage and Housing Corporation 1993 Capital Budget Summary Amendment not considered late given that the 1994 Capital Budget Summary was tabled befored the deadline for tabling the amendment.

Document to be Tabled	House of Commons Deadline	House of Commons Tabled	Senate Deadline	Senate Tabled
Canada Ports Corporation (i)				
1993 Annual Report	31-May-94	24-May-94	22-Jun-94	25-May-94
1994 Capital Budget Summary	25-Feb-94	22-Feb-94	2-Jun-94	23-Feb-94
1994/98 Corporate Plan Summary	25-Feb-94	22-Feb-94	2-Jun-94	23-Feb-94
Canada Post Corporation				
1992/93 Annual Report	21-Jan-94	1-Jun-93	18-Jan-94	2-Jun-93
1993/94 Annual Report	note 3	22-Jun-94	note 3	23-Jun-94
1993/94 Capital Budget Summary	3-Jun-93	1-Jun-93	18-Jan-94	2-Jun-93
1993/94 Capital Budget Summary Amendment	11-Feb-94	not tabled	19-Apr-94	not tabled
1993/94 Capital Budget Summary Amendment	11-Mar-94	not tabled	14-Jun-94	not tabled
1993/94-1997/98 Corporate Plan Summary	3-Jun-93	1-Jun-93	18-Jan-94	2-Jun-93
1993/94-1997/98 Corporate Plan Summary Amendment	11-Feb-94	not tabled	19-Apr-94	not tabled
1993/94-1997/98 Corporate Plan Summary Amendment	11-Mar-94	not tabled	14-Jun-94	not tabled
1994/95 Capital Budget Summary	note 2	22-Jun-94	note 2	23-Jun-94
1994/95-1998/99 Corporate Plan Summary	note 1	22-Jun-94	note 1	23-Jun-94
Canadian Commercial Corporation				
1992/93 Annual Report	3-Feb-94	16-Jun-93	23-Feb-94	17-Jun-93
1993/94 Annual Report	note 3	20-Jun-94	note 3	21-Jun-94
1994/95 Capital Budget Summary	12-May-94	6-May-94	note 2	10-May-94
1994/95 Operating Budget Summary	12-May-94	6-May-94	note 2	10-May-94
1994/95-1998/99 Corporate Plan Summary	12-May-94	6-May-94	note 1	10-May-94
Canadian Dairy Commission				
1992/93 Annual Report	4-Feb-94	25-Jan-94	21-Mar-94	8-Feb-94
1993/94 Capital Budget Summary	25-Feb-94	25-Jan-94	2-Jun-94	8-Feb-94
1993/94 Operating Budget Summary	25-Feb-94	25-Jan-94	2-Jun-94	8-Feb-94
1993/94-1997/98 Corporate Plan Summary	25-Feb-94	25-Jan-94	2-Jun-94	8-Feb-94
Canadian Museum of Civilization				
1992/93 Annual Report	4-Feb-94	3-Feb-94	21-Mar-94	8-Feb-94
1993/94 Capital Budget Summary	4-Jun-93	3-Jun-93	19-Jan-94	8-Jun-93
1993/94 Operating Budget Summary	4-Jun-93	3-Jun-93	19-Jan-94	8-Jun-93
1993/94-1997/98 Corporate Plan Summary	4-Jun-93	3-Jun-93	19-Jan-94	8-Jun-93
Canadian Museum of Nature				
1992/93 Annual Report	4-Feb-94	3-Feb-94	21-Mar-94	8-Feb-94
1993/94 Capital Budget Summary	4-Jun-93	3-Jun-93	19-Jan-94	8-Jun-93
1993/94 Operating Budget Summary	4-Jun-93	3-Jun-93	19-Jan-94	8-Jun-93
1993/94-1997/98 Corporate Plan Summary	4-Jun-93	3-Jun-93	19-Jan-94	8-Jun-93

i. The *Canada Ports Corporation Act* specifies that the annual report shall include the annual reports of the Local Port Corporations and that it be submitted to the appropriate Minister no later than "four months" after the financial year-end. These reports are to be tabled as one document.

Document to be Tabled	House of Commons Deadline	House of Commons Tabled	Senate Deadline	Senate Tabled
Canadian National Railway Company				
1993 Annual Report	29-Apr-94	14-Apr-94	8-Jun-94	19-Apr-94
Canadian Saltfish Corporation				
1992/93 Annual Report	4-Feb-94	9-Feb-94	21-Mar-94	10-Feb-94
1993/94 Capital Budget Summary	11-Feb-94	18-Jan-94	24-Mar-94	19-Jan-94
1993/94 Operating Budget Summary	11-Feb-94	18-Jan-94	24-Mar-94	19-Jan-94
1993/94-1997/98 Corporate Plan Summary	11-Feb-94	18-Jan-94	24-Mar-94	19-Jan-94
Cape Breton Development Corporation				
1992/93 Annual Report	4-Feb-94	7-Feb-94	21-Mar-94	9-Feb-94
1993/94 Capital Budget Summary	4-Jun-93	7-Feb-94	19-Jan-94	9-Feb-94
1993/94 Operating Budget Summary	4-Jun-93	7-Feb-94	19-Jan-94	9-Feb-94
1993/94-1997/98 Corporate Plan Summary	4-Jun-93	7-Feb-94	19-Jan-94	9-Feb-94
Defence Construction (1951) Ltd.				
1992/93 Annual Report	26-Jan-94	8-Jun-93	20-Jan-94	9-Jun-93
1993/94 Annual Report	note 3	21-Jun-94	note 3	22-Jun-94
1994/95 Capital Budget Summary	31-May-94	3-May-94	note 2	10-May-94
1994/95 Operating Budget Summary	31-May-94	3-May-94	note 2	10-May-94
1994/95-1998/99 Corporate Plan Summary	31-May-94	3-May-94	note 1	10-May-94
Enterprise Cape Breton Corporation				
1992/93 Annual Report	4-Feb-94	11-Mar-94	21-Mar-94	15-Mar-94
Export Development Corporation				
1993 Annual Report	29-Apr-94	11-Mar-94	8-Jun-94	15-Mar-94
1994 Capital Budget Summary	25-Feb-94	15-Feb-94	2-Jun-94	22-Feb-94
1994 Operating Budget Summary	25-Feb-94	15-Feb-94	2-Jun-94	22-Feb-94
1994/98 Corporate Plan Summary	25-Feb-94	15-Feb-94	2-Jun-94	22-Feb-94
Farm Credit Corporation				
1992/93 Annual Report	2-Feb-94	16-Jun-93	22-Feb-94	17-Jun-93
1993/94 Annual Report	note 3	21-Jun-94	note 3	22-Jun-94
1993/94 Capital Budget Summary	4-Jun-93	27-Apr-93	19-Jan-94	28-Apr-93
1993/94 Operating Budget Summary	4-Jun-93	27-Apr-93	19-Jan-94	28-Apr-93
1993/94-1997/98 Corporate Plan Summary	4-Jun-93	27-Apr-93	19-Jan-94	28-Apr-93
1994/95 Capital Budget Summary	31-May-94	24-May-94	note 2	25-May-94
1994/95 Operating Budget Summary	31-May-94	24-May-94	note 2	25-May-94
1994/95-1998/99 Corporate Plan Summary	31-May-94	24-May-94	note 1	25-May-94
Federal Business Development Bank				
1992/93 Annual Report	4-Feb-94	7-Feb-94	16-Mar-94	9-Feb-94
1994/95 Capital Budget Summary	13-Jun-94	13-Jun-94	note 2	14-Jun-94
1994/95 Operating Budget Summary	13-Jun-94	13-Jun-94	note 2	14-Jun-94
1994/95-1998/99 Corporate Plan Summary	13-Jun-94	13-Jun-94	note 1	14-Jun-94

Document to be Tabled	House of Commons Deadline	House of Commons Tabled	Senate Deadline	Senate Tabled
Freshwater Fish Marketing Corporation				
1992/93 Annual Report	4-Feb-94	18-Jan-94	21-Mar-94	19-Jan-94
1993/94 Capital Budget Summary	4-Feb-94	18-Jan-94	17-Mar-94	19-Jan-94
1993/94 Operating Budget Summary	4-Feb-94	18-Jan-94	17-Mar-94	19-Jan-94
1993/94-1997/98 Corporate Plan Summary	4-Feb-94	18-Jan-94	17-Mar-94	19-Jan-94
Great Lakes Pilotage Authority				
1993 Annual Report	29-Apr-94	21-Apr-94	8-Jun-94	26-Apr-94
1994 Capital Budget Summary	25-Feb-94	22-Feb-94	2-Jun-94	23-Feb-94
1994 Operating Budget Summary	25-Feb-94	22-Feb-94	2-Jun-94	23-Feb-94
1994/98 Corporate Plan Summary	25-Feb-94	22-Feb-94	2-Jun-94	23-Feb-94
Halifax Port Corporation				
1993 Annual Report	31-May-94	24-May-94	22-Jun-94	25-May-94
1994 Capital Budget Summary	25-Feb-94	22-Feb-94	2-Jun-94	23-Feb-94
1994/98 Corporate Plan Summary	25-Feb-94	22-Feb-94	2-Jun-94	23-Feb-94
Laurentian Pilotage Authority				
1993 Annual Report	29-Apr-94	21-Apr-94	8-Jun-94	26-Apr-94
1994 Capital Budget Summary	25-Feb-94	22-Feb-94	2-Jun-94	23-Feb-94
1994 Operating Budget Summary	25-Feb-94	22-Feb-94	2-Jun-94	23-Feb-94
Marine Atlantic				
1993 Annual Report	29-Apr-94	26-May-94	8-Jun-94	31-May-94
1994 Capital Budget Summary	25-Feb-94	22-Feb-94	2-Jun-94	23-Feb-94
1994 Operating Budget Summary	25-Feb-94	22-Feb-94	2-Jun-94	23-Feb-94
1994/98 Corporate Plan Summary	25-Feb-94	22-Feb-94	2-Jun-94	23-Feb-94
Montreal Port Corporation				
1993 Annual Report	31-May-94	24-May-94	22-Jun-94	25-May-94
1994 Capital Budget Summary	25-Feb-94	22-Feb-94	2-Jun-94	23-Feb-94
1994/98 Corporate Plan Summary	25-Feb-94	22-Feb-94	2-Jun-94	23-Feb-94
National Capital Commission				
1992/93 Annual Report	4-Feb-94	3-Feb-94	21-Mar-94	8-Feb-94
1994/95 Capital Budget Summary	31-May-94	20-Jun-94	note 2	21-Jun-94
1994/95 Operating Budget Summary	31-May-94	20-Jun-94	note 2	21-Jun-94
1994/95-1998/99 Corporate Plan Summary	31-May-94	20-Jun-94	note 1	21-Jun-94
National Gallery of Canada				
1992/93 Annual Report	4-Feb-94	3-Feb-94	21-Mar-94	8-Feb-94
1993/94 Capital Budget Summary	4-Jun-93	7-Jun-93	19-Jan-94	8-Jun-93
1993/94 Operating Budget Summary	4-Jun-93	7-Jun-93	19-Jan-94	8-Jun-93
1993/94-1997/98 Corporate Plan Summary	4-Jun-93	7-Jun-93	19-Jan-94	8-Jun-93
1994/95 Capital Budget Summary	31-May-94	1-Jun-94	note 2	not tabled
1994/95 Operating Budget Summary	31-May-94	1-Jun-94	note 2	not tabled
1994/95-1998/99 Corporate Plan Summary	31-May-94	1-Jun-94	note 1	not tabled

Document to be Tabled	House of Commons Deadline	House of Commons Tabled	Senate Deadline	Senate Tabled
National Museum of Science and Technology				
1992/93 Annual Report	4-Feb-94	3-Feb-94	21-Mar-94	8-Feb-94
1993/94 Capital Budget Summary	4-Jun-93	3-Jun-93	19-Jan-94	8-Jun-93
1993/94 Operating Budget Summary	4-Jun-93	3-Jun-93	19-Jan-94	8-Jun-93
1993/94-1997/98 Corporate Plan Summary	4-Jun-93	3-Jun-93	19-Jan-94	8-Jun-93
1994/95 Capital Budget Summary	31-May-94	15-Jun-94	note 2	not tabled
1994/95 Operating Budget Summary	31-May-94	15-Jun-94	note 2	not tabled
1994/95-1998/99 Corporate Plan Summary	31-May-94	15-Jun-94	note 1	not tabled
Old Port of Montreal Corporation Inc.				
1992/93 Annual Report	4-Feb-94	1-Feb-94	21-Mar-94	8-Feb-94
1994/95 Capital Budget Summary	31-May-94	30-May-94	note 2	31-May-94
1994/95 Operating Budget Summary	31-May-94	30-May-94	note 2	31-May-94
1994/95-1998/99 Corporate Plan Summary	31-May-94	30-May-94	note 1	31-May-94
Pacific Pilotage Authority				
1993 Annual Report	29-Apr-94	21-Apr-94	8-Jun-94	26-Apr-94
1994 Capital Budget Summary	25-Feb-94	22-Feb-94	2-Jun-94	23-Feb-94
1994 Operating Budget Summary	25-Feb-94	22-Feb-94	2-Jun-94	23-Feb-94
1994/98 Corporate Plan Summary	25-Feb-94	22-Feb-94	2-Jun-94	23-Feb-94
Petro-Canada Ltd.				
1993 Annual Report	29-Apr-94	9-Jun-94	8-Jun-94	14-Jun-94
1994 Capital Budget Summary	25-Feb-94	11-Mar-94	2-Jun-94	15-Mar-94
1994 Operating Budget Summary	25-Feb-94	11-Mar-94	2-Jun-94	15-Mar-94
1994/98 Corporate Plan Summary	25-Feb-94	11-Mar-94	2-Jun-94	15-Mar-94
Port of Quebec Corporation				
1993 Annual Report	31-May-94	24-May-94	22-Jun-94	25-May-94
1994 Capital Budget Summary	25-Feb-94	22-Feb-94	2-Jun-94	23-Feb-94
1994/98 Corporate Plan Summary	25-Feb-94	22-Feb-94	2-Jun-94	23-Feb-94
Prince Rupert Port Corporation				
1993 Annual Report	31-May-94	24-May-94	22-Jun-94	25-May-94
1994 Capital Budget Summary	25-Feb-94	22-Feb-94	2-Jun-94	23-Feb-94
1994/98 Corporate Plan Summary	25-Feb-94	22-Feb-94	2-Jun-94	23-Feb-94
Queens Quay West Land Corporation				
1992/93 Annual Report	15-Feb-94	3-Feb-94	21-Mar-94	8-Feb-94
Royal Canadian Mint				
1993 Annual Report	29-Apr-94	26-Apr-94	8-Jun-94	27-Apr-94
1994 Capital Budget Summary	17-Mar-94	11-Apr-94	14-Jun-94	19-Apr-94
1994/98 Corporate Plan Summary	17-Mar-94	11-Apr-94	16-Jun-94	19-Apr-94

Document to be Tabled	House of Commons Deadline	House of Commons Tabled	Senate Deadline	Senate Tabled
Saint John Port Corporation				
1993 Annual Report	31-May-94	24-May-94	22-Jun-94	25-May-94
1994 Capital Budget Summary	25-Feb-94	22-Feb-94	2-Jun-94	23-Feb-94
1994/98 Corporate Plan Summary	25-Feb-94	22-Feb-94	2-Jun-94	23-Feb-94
St. John's Port Corporation				
1993 Annual Report	31-May-94	24-May-94	22-Jun-94	25-May-94
1994 Capital Budget Summary	25-Feb-94	22-Feb-94	2-Jun-94	23-Feb-94
1994/98 Corporate Plan Summary	25-Feb-94	22-Feb-94	2-Jun-94	23-Feb-94
St. Lawrence Seaway Authority				
1992/93 Annual Report	4-Feb-94	18-Jan-94	21-Mar-94	19-Jan-94
1993/94 Capital Budget Summary	4-Jun-93	25-May-93	19-Jan-94	27-May-93
1993/94 Operating Budget Summary	4-Jun-93	25-May-93	19-Jan-94	27-May-93
1993/94-1997/98 Corporate Plan Summary	4-Jun-93	25-May-93	19-Jan-94	27-May-93
1994/95 Capital Budget Summary	31-May-94	24-May-94	note 2	25-May-94
1994/95 Operating Budget Summary	31-May-94	24-May-94	note 2	25-May-94
1994/95-1998/99 Corporate Plan Summary	31-May-94	24-May-94	note 1	25-May-94
Standards Council of Canada				
1992/93 Annual Report	15-Feb-94	7-Feb-94	21-Mar-94	9-Feb-94
1993/94 Capital Budget Summary	2-Jun-93	27-May-93	18-Jan-94	31-May-93
1993/94 Operating Budget Summary	2-Jun-93	27-May-93	18-Jan-94	31-May-93
1993/94-1997/98 Corporate Plan Summary	2-Jun-93	27-May-93	18-Jan-94	31-May-93
Vancouver Port Corporation				
1993 Annual Report	31-May-94	24-May-94	22-Jun-94	25-May-94
1994 Capital Budget Summary	25-Feb-94	22-Feb-94	2-Jun-94	23-Feb-94
1994/98 Corporate Plan Summary	25-Feb-94	22-Feb-94	2-Jun-94	23-Feb-94
VIA Rail Canada Inc.				
1993 Annual Report	29-Apr-94	21-Apr-94	8-Jun-94	26-Apr-94
1994 Capital Budget Summary	13-Jun-94	21-Jun-94	note 2	22-Jun-94
1994 Operating Budget Summary	13-Jun-94	21-Jun-94	note 2	22-Jun-94
1994/98 Corporate Plan Summary	13-Jun-94	21-Jun-94	note 1	22-Jun-94

Tablings in Parliament for Scheduled Parent Crown Corporations Outstanding at July 31, 1993 and Tabled during the year ended July 31, 1994

Document to be Tabled	House of Commons Deadline	House of Commons Tabled	Senate Deadline	Senate Tabled
Canada Deposit Insurance Corporation				
1992 Annual Report	5-May-93	18-Jan-94	2-Jun-93	19-Jan-94
Canada Development Investment Corporation				
1992 Annual Report	5-May-93	27-Jan-94	2-Jun-93	8-Feb-94

Annex

Audited Financial Statements for Each Parent Crown Corporation

Annex — Audited Financial Statements for Each Parent Crown corporation

Corporation — **ANNEX — Page**

Introduction

The Annex contains the audited financial statements for each parent Crown corporation. Also included, where appropriate, are the financial statements of wholly-owned subsidiaries not consolidated with the statements of the parent corporation.

Much of the information in the "Overview of the Portfolio" and the "Corprate Abstracts" sections of this Report to Parliament is extracted from these audited statements. For more information, the reader may contact the corporations directly.

Each Crown corporation's annual report contains a set of audited financial statements, the auditors' opinion, management's discussion and responsibility statement, the Chairperson or President's message, and other corporate highlights on business volumes and financial indicators, often by product or geographic segment. A summary of the tabling dates for each Crown corporation annual report is shown in the "Report on Tablings in Parliament" section of this Report. Background information including head office addresses and telephone numbers are provided in the "Corporate Abstracts" section of this Report.

ATLANTIC PILOTAGE AUTHORITY

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements have been prepared by the Authority's management in accordance with generally accepted accounting principles, consistently applied, using management's best estimates and judgements, where appropriate. Management is responsible for the integrity and objectivity of the information in the financial statements and annual report.

Management is also responsible for a system of internal control which is designed to provide reasonable assurance that assets are safeguarded and controlled, transactions comply with relevant authorities and accounting systems provide timely, accurate financial reports.

The Authority's management recognizes the responsibility of conducting its affairs in compliance with the *Pilotage Act* and regulations, the *Financial Administration Act* and regulations, and the by-laws of the Authority.

The Authority is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Authority exercises its responsibilities through the Audit Committee of the Authority, which is composed of members who are not employees of the Authority. The Committee meets with management and the auditors to satisfy itself that responsibilities are properly discharged and to review the financial statements. The financial statements and annual report have been reviewed and approved by the Authority on the recommendation of the Audit Committee.

The Auditor General of Canada conducts an independent audit of the transactions and financial statements of the Authority in accordance with generally accepted auditing standards, and expresses his opinion on the financial statements. He has full and free access to the Audit Committee of the Authority, and his report follows.

C. R. Worthington
Chairman and Chief Executive Officer

M. R. McGrath
Treasurer

AUDITOR'S REPORT

TO THE MINISTER OF TRANSPORT

I have audited the balance sheet of Atlantic Pilotage Authority as at December 31, 1993 and the statements of operations, contributed capital, deficit and changes in financial position for the year then ended. These financial statements are the responsibility of the Authority's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Authority as at December 31, 1993 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles. As required by the *Financial Administration Act*, I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Authority that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Pilotage Act* and regulations, and the by-laws of the Authority.

Raymond Dubois, FCA
Deputy Auditor General
for the Auditor General of Canada

Ottawa, Canada
February 11, 1994

ATLANTIC PILOTAGE AUTHORITY—*Continued*

BALANCE SHEET AS AT DECEMBER 31, 1993

ASSETS	1993	1992
	$	$
Current		
Accounts receivable—Trade	776,709	748,212
Prepaid expenses	35,995	38,399
Due from Canada (Note 3)		504,000
	812,704	1,290,611
Capital, at cost (Note 4)	2,384,914	2,366,407
Less: accumulated amortization	1,416,403	1,291,703
	968,511	1,074,704
	1,781,215	2,365,315

LIABILITIES	1993	1992
	$	$
Current		
Bank indebtedness	188,349	283,199
Accounts payable and accrued liabilities	613,776	679,309
Current portion of accrued employee termination benefits	32,635	
	834,760	962,508
Long term		
Accrued employee termination benefits	693,355	661,164
Deferred rent (Note 5)	36,711	18,932
	730,066	680,096
	1,564,826	1,642,604
Commitments (Note 8)		
CONTRIBUTED CAPITAL AND DEFICIT		
Contributed capital	2,241,166	2,238,642
Deficit	(2,024,777)	(1,515,931)
	216,389	722,711
	1,781,215	2,365,315

Approved by the Authority:

C. R. WORTHINGTON
Chairman

MARTIN KARLSEN
Member

M. R. McGRATH
Treasurer

ATLANTIC PILOTAGE AUTHORITY—*Continued*

STATEMENT OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 1993

	1993	1992
	$	$
Income		
Pilotage charges	6,869,756	6,463,086
Other income	36,291	31,398
	6,906,047	6,494,484
Expenses		
Pilots' fees, salaries and benefits	3,939,439	3,822,351
Pilot boats, operating costs	2,374,990	2,267,293
Staff salaries and benefits	491,531	499,875
Transportation and travel	296,156	341,683
Professional and special services	167,130	258,891
Amortization	151,437	140,178
Utilities, materials and supplies	119,046	156,608
Rentals	112,034	113,069
Communications	55,315	73,535
	7,707,078	7,673,483
Net loss from operations	801,031	1,178,999
Legal settlements (Note 9)	7,815	287,382
Net loss for the year	808,846	1,466,381

STATEMENT OF CONTRIBUTED CAPITAL FOR THE YEAR ENDED DECEMBER 31, 1993

	1993	1992
	$	$
Balance, beginning of the year	2,238,642	2,073,580
Parliamentary appropriations to finance prior years' additions to capital assets and principal payments on capital leases (Note 3)	2,524	165,062
Balance, end of the year	2,241,166	2,238,642

STATEMENT OF DEFICIT FOR THE YEAR ENDED DECEMBER 31, 1993

	1993	1992
	$	$
Balance, beginning of the year	1,515,931	1,682,488
Net loss for the year	808,846	1,466,381
	2,324,777	3,148,869
Parliamentary appropriations to finance cash operating losses (Note 3)	300,000	1,632,938
Balance, end of the year	2,024,777	1,515,931

STATEMENT OF CHANGES IN FINANCIAL POSITION FOR THE YEAR ENDED DECEMBER 31, 1993

	1993	1992
	$	$
Financing activities		
Parliamentary appropriations to finance		
Cash operating losses	804,000	1,159,626
Additions to capital assets	2,524	84,290
Principal payments on capital lease		50,084
Cash provided by financing activities	806,524	1,294,000
Operating activities		
Cash provided by (used for) operations		
Net loss for the year	(808,846)	(1,466,381)
Items not requiring cash		
Amortization	151,437	140,178
Increase in accrued employee termination benefits	64,826	93,412
Increase in deferred rent	17,779	18,932
	(574,804)	(1,213,859)
Cash provided by (used for) non-cash working capital	(91,626)	329,398
Employee termination benefit payments		(105,453)
Cash used for operating activities	(666,430)	(989,914)
Investing activities		
Net additions to capital assets	(45,244)	(33,212)
Cash used for investing activities	(45,244)	(33,212)
Increase in cash during the year	94,850	270,874
Bank indebtedness, beginning of the year	(283,199)	(554,073)
Bank indebtedness, end of the year	(188,349)	(283,199)

ATLANTIC PILOTAGE AUTHORITY—*Continued*

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1993

1. Objectives and activities

The Atlantic Pilotage Authority (the "Authority") was established in 1972 pursuant to the *Pilotage Act*. The objects of the Authority are to establish, operate, maintain and administer a safe and efficient pilotage service within designated Canadian waters. The Act provides that pilotage tariffs shall be fair, reasonable and sufficient, together with any revenue from other sources, to permit the Authority to operate on a self-sustaining financial basis.

The Authority is a Crown corporation listed in Schedule III, Part I of the *Financial Administration Act* and is not subject to the provisions of the *Income Tax Act*.

2. Significant accounting policies

(a) Parliamentary appropriations

When revenues are not sufficient to permit the Authority to operate on a self-sustaining financial basis, the Authority requests parliamentary appropriations to cover cash operating losses. These appropriations are recorded in the accounts when approved by Parliament and are reflected in the statement of deficit.

Parliamentary appropriations are also requested when the cash operating profits are not sufficient to provide for the purchase of capital assets. These appropriations are recorded in the accounts when approved by Parliament and are reflected in the statement of contributed capital.

(b) Amortization

Amortization of capital assets is calculated on a straight-line basis and is based on the estimated useful life of the assets as follows:

Pilot boats	10 to 25 years
Furniture and equipment	5 to 10 years

(c) Pension plan

All employees are covered by the Public Service Superannuation Plan administered by the Government of Canada. Contributions to the Plan are required from both the employee and the Authority. Contributions with respect to current service are expensed in the current period. Contributions with respect to past service benefits are expensed when paid. The Authority is not required under present legislation to make contributions with respect to actuarial deficiencies of the Public Service Superannuation Account.

(d) Employee termination benefits

Employees are entitled to specified benefits on termination as provided for under labour contracts and conditions of employment. The liability for these benefits is recorded as they accrue to the employees.

3. Parliamentary appropriations

(a) With respect to parliamentary appropriations, the following amounts were authorized and received:

Legislative Authority	Amount Authorized	Amount Received 1993	Amount Received 1992
	$	$	$
1991-92 Transport Vote 16c ...	448,000		448,000
1992-93 Transport Vote 47c ...	1,352,524	506,524	846,000
1993-94 Treasury Board Vote 5*	300,000	300,000	
	2,100,524	806,524	1,294,000

* This allocation will be cancelled upon the release of Supply covering Supplementary Estimates for 1993-94. Funds will be transferred from existing 1993-94 Transport Vote(s).

(b) On September 22, 1993, Treasury Board approved the inclusion of an item in 1993-94 Supplementary Estimates in the amount of $1,031,000, to be sourced from existing Transport Canada appropriations for payment to cover the Authority's 1993 cash operating loss and capital expenditures. With respect to this amount, Treasury Board approved an advance of up to $300,000 from Treasury Board Vote 5 (Government Contingencies) as reflected in Note 3(a).

4. Capital assets

	1993			1992
	Cost	Accumulated amortization	Net	Net
	$	$	$	$
Land	450		450	450
Pilot boats	2,125,128	1,203,479	921,649	1,012,433
Furniture and equipment	259,336	212,924	46,412	61,821
	2,384,914	1,416,403	968,511	1,074,704

5. Deferred rent

During 1992, the Authority was given a period of free rent, exclusive of operating costs and property taxes, as an incentive to sign a five year lease agreement for office space. The incentive is being amortized over the life of the lease.

ATLANTIC PILOTAGE AUTHORITY—*Concluded*

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1993—*Concluded*

6. Pension plan

Under the *Public Service Superannuation Act*, employees of the Authority are entitled to count service prior to becoming an employee of the Authority as pensionable. For employees who elected to purchase pension benefits with respect to past service, the Authority is required to match the employee contribution. Total past service pension expense was $12,735 in 1993 ($11,094 in 1992). The estimated unfunded past service pension contribution with respect to these employees was approximately $150,000 at December 31, 1993 ($169,000 at December 31, 1992) and will be funded over the remaining years of service of the employees, or the terms of purchase, whichever is the lesser.

7. Related party transactions

The Authority receives services from government departments and these are provided without charge. These include pilot dispatching services by the Canadian Coast Guard, through its Vessel Traffic Service Centres in Nova Scotia, New Brunswick and Newfoundland. The cost of these services is not recorded in the accounts of the Authority.

8. Commitments

The Authority has entered into contracts for pilot boat services, office rentals, wharfage fees and wharf rentals requiring the following minimum annual payments:

	$
1994	856,556
1995	481,337
1996	79,460
1997	12,508
	1,429,861

9. Legal settlements

Lawsuits were filed against the Authority claiming breach of contract in the awarding of a pilot boat contract and improper hiring practices. With regard to the former, a Federal Court Decision awarded judgement in favour of the plaintiff. The Authority has filed a notice of appeal and awaits the outcome of the action. With regard to the latter, a settlement between the parties was reached. Both the judgement and the settlement were charged against income in 1992. Post-judgement interest has been accrued in the current year.

ATOMIC ENERGY OF CANADA LIMITED

MANAGEMENT RESPONSIBILITY

The consolidated financial statements, all other information presented in this Annual Report and the financial reporting process are the responsibility of the management and the board of directors of the corporation. Except for the non-recognition of future decommissioning costs, which is explained in the notes to the consolidated financial statements, these statements have been prepared in accordance with generally accepted accounting principles and include estimates based on the experience and judgement of management. In the case of decommissioning costs, the corporation has chosen, in the interest of what it considers to be a fairer overall presentation, to continue its established policy of expensing such costs as decommissioning activities take place.

The corporation and its subsidiary maintain books of account, financial and management control, and information systems, together with management practices designed to provide reasonable assurance that reliable and accurate financial information is available on a timely basis, that assets are safeguarded and controlled, that resources are managed economically and efficiently in the attainment of corporate objectives, and that operations are carried out effectively. These systems and practices are also designed to provide reasonable assurance that transactions are in accordance with Part X of the *Financial Administration Act* and its regulations, as well as the *Canada Business Corporations Act*, the articles, and the bylaws and policies of the corporation and its subsidiary. The corporation has met all reporting requirements established by the *Financial Administration Act*, including submission of a corporate plan, an operating budget, a capital budget and this Annual Report.

The corporation's internal auditor has the responsibility for assessing the management systems and practices of the corporation and its subsidiary. The Auditor General of Canada conducts an independent audit of the consolidated financial statements of the corporation and reports on his audit to the Minister of Natural Resources.

The board of directors' audit committee, composed of directors who are not employees of the corporation or its subsidiary, reviews and advises the board on the consolidated financial statements, the Auditor General's reports thereto and the plans and reports related to special examinations, and oversees the activities of internal audit. The audit committee meets with management, the internal auditor and the Auditor Genral on a regular basis.

Terrance E. Rummery
Acting President and Chief Executive Officer

David J. Thomas
Chief Financial Officer

AUDITOR'S REPORT

TO THE MINISTER DESIGNATE OF NATURAL RESOURCES

I have audited the consolidated balance sheet of Atomic Energy of Canada Limited as at March 31, 1994 and the consolidated statements of income, contributed capital, deficit and changes in financial position for the year then ended. These financial statements are the responsibility of the corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In common with many other organizations in the nuclear industry, the corporation incurs costs for decommissioning its facilities and for site remediation. Generally accepted accounting principles require that these costs be recognized in a rational and systematic manner over the estimated useful lives of the corresponding facilities. However, as explained in Notes 4 and 11 to the financial statements, the corporation has not recorded the liability for these costs. As the corporation has not determined the total likely costs of these activities, I was able to determine the magnitude of the adjustment that is necessary to the expenses, the liabilities and the deficit of the corporation..

In my opinion, except for the failure to record the total liability for decommissioning and site remediation costs described in the preceding paragraph, these consolidated financial statements present fairly, in all material respects, the financial position of the corporation as at March 31, 1994 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles. As required by the *Financial Administration Act*, I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the corporation and of its wholly-owned subsidiary that have come to my notice during my audit of the consolidated financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Canada Business Corporations Act* and the articles and by-laws of the corporation and its wholly-owned subsidiary.

L. Denis Desautels, FCA
Auditor General of Canada

Ottawa, Canada
May 20, 1994

ATOMIC ENERGY OF CANADA LIMITED—*Continued*

CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 1994
(in thousands of dollars)

ASSETS	1994	1993
Current		
Cash and short-term investments	114,839	101,877
Accounts receivable	106,060	136,504
Current portion of long-term receivables (Note 6)	5,337	436,685
Receivable from CDIC (Note 7)	20,323	20,323
Inventory of supplies	10,615	9,270
	257,174	704,659
Heavy water inventory (Note 8)	520,126	529,602
Long-term receivables (Note 6)	59,434	53,998
Property, plant and equipment (Note 9)	11,694	33,540
	848,428	1,321,799

LIABILITIES	1994	1993
Current		
Accounts payable and accrued liabilities	157,388	182,379
Current portion of long-term debt (Note 10)	3,782	432,560
	161,170	614,939
Restructuring and other provisions	108,928	
Deferred revenue	41,171	24,445
Accrued employee termination benefits	47,265	49,883
Long-term debt (Note 10)	22,994	26,809
	381,528	716,076
SHAREHOLDER'S EQUITY		
Capital stock		
Authorized—75,000 common shares		
Issued—54,000 common shares	15,000	15,000
Contributed capital (Note 8)	607,410	607,513
Deficit	(155,510)	(16,790)
	466,900	605,723
	848,428	1,321,799

Approved by the Board:

EDWARD G. BYRD
Director

TERRANCE E. RUMMERY
Director

ATOMIC ENERGY OF CANADA LIMITED—*Continued*

CONSOLIDATED STATEMENT OF INCOME
FOR THE YEAR ENDED MARCH 31, 1994
(in thousands of dollars)

	1994	1993
Nuclear Power Operations		
Revenue		
Nuclear supply and services	319,675	286,774
Interest on long-term receivables	1,506	43,367
Interest on short-term investments	6,512	6,359
	327,693	336,500
Expenses		
Cost of supply and services	272,765	226,894
Product development	12,236	12,071
Marketing and administration	26,682	22,824
Interest on long-term debt	1,039	42,849
	312,722	304,638
Operating profit	14,971	31,862
Research and Development Operations		
Expenses	312,620	316,560
Less: Commercial revenue	47,980	44,631
Cost recovery from third parties	88,344	93,475
Parliamentary appropriations (Note 3)	156,956	156,681
Net expense	19,340	21,773
Decommissioning Activities (Note 11)		
Expenses	11,195	13,866
Less: Parliamentary appropriations (Note 3)	9,766	10,854
Recovery from asset sales	1,429	3,012
Net expense		
Net income (loss) before:	(4,369)	10,089
Isotope production facilities write-off (Note 4)	(75,351)	
Restructuring costs (Note 5)	(59,000)	
Net income (loss)	(138,720)	10,089

CONSOLIDATED STATEMENT OF CONTRIBUTED CAPITAL
FOR THE YEAR ENDED MARCH 31, 1994
(in thousands of dollars)

	1994	1993
Contributed capital at beginning of the year	607,513	611,523
Reduction of repayable parliamentary appropriations	(2,381)	(6,102)
Parliamentary appropriations for loan principal repayment (Note 3)	2,278	2,092
Balance at end of the year	607,410	607,513

CONSOLIDATED STATEMENT OF DEFICIT
FOR THE YEAR ENDED MARCH 31, 1994
(in thousands of dollars)

	1994	1993
Balance at beginning of the year	(16,790)	(26,879)
Net income (loss)	(138,720)	10,089
Balance at end of the year	(155,510)	(16,790)

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED MARCH 31, 1994
(in thousands of dollars)

	1994	1993
Operating Activities		
Net income (loss)	(138,720)	10,089
Adjustments for non-cash items		
Amortization	3,712	3,492
Restructuring costs	59,000	
Isotope production facilities write-off	75,351	8,008
	(657)	21,589
Decrease (increase) in operating working capital		
Accounts receivable	30,444	(4,022)
Inventory of supplies	(1,345)	1,190
Accounts payable and accrued liabilities	(19,991)	52,382
	9,108	49,550
Accrued employee termination benefits	(2,618)	25
Deferred revenue	16,726	9,645
	23,216	59,220
Cash from operations	22,559	80,809
Investing Activities		
Acquisition of property, plant and equipment, net of proceeds on disposal	(16,838)	(26,244)
Reduction of heavy water inventory	9,476	6,892
Cash used in investing	(7,362)	(19,352)
Financing Activities		
Reduction of long-term debt	(432,593)	(33,147)
Reduction of long-term notes receivable	425,912	13,416
Reduction of repayable parliamentary appropriations	(2,381)	(6,102)
Parliamentary appropriations used for property, plant and equipment and certain loan principal repayment	6,827	12,726
Cash used in financing	(2,235)	(13,107)
Increase in cash and short-term investments	12,962	48,350
Cash and short-term investments at beginning of the year	101,877	53,527
Cash and short-term investments at end of the year	114,839	101,877

ATOMIC ENERGY OF CANADA LIMITED—*Continued*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 1994

1. The Corporation

Pursuant to the authority and powers of the Minister of Natural Resources under the *Atomic Energy Control Act*, the corporation was incorporated in 1952 under the provisions of the *Canada Corporations Act* (and continued in 1977 under the provisions of the *Canada Business Corporations Act*).

The corporation is a Schedule III Part I Crown corporation under the *Financial Administration Act*. The corporation is exempt from income taxes in Canada.

These financial statements include the accounts of the corporation's wholly-owned subsidiary, AECL Technologies Inc. (formely AECL Inc.), incorporated in the state of Delaware, U.S.A. in 1988.

2. Significant Accounting Policies

Foreign Currency Translation

Transactions denominated in a foreign currency are translated into Canadian dollars at the exchange rate in effect at the date of the transaction, except those covered by forward exchange contracts, where the rate established by the terms of the contract is used. Monetary assets and liabilities outstanding at the balance sheet date are adjusted to reflect the exchange rate in effect at that date, except those covered by forward exchange contracts, where the exchange rate established by the terms of the contract is used. Exchange gains and losses arising from the translation of foreign currencies are included in income.

Inventories

Heavy water is valued at the lower of average cost and realizable value. Supplies are valued at cost.

Property, Plant and Equipment

Property, plant and equipment are recorded at cost and this cost, net of parliamentary appropriations and third party contributions, if any, is amortized on a straight-line basis over the estimated useful life of the asset as follows:

Machinery and equipment	3 to 20 years
Buildings	20 to 50 years

As further explained in Note 11, costs of decommissioning nuclear facilities are expensed as decommissioning activities take place.

Long-term Contracts

Revenue and costs on long-term contracts are accounted for by the percentage of completion method, applied on a conservative basis to recognize the absence of certainty on these contracts. Full provision is made for all estimated losses to completion of contracts in progress.

Parliamentary Appropriations

The Government of Canada, through parliamentary appropriations, funds certain operations of the corporation as outlined in Notes 3 and 8. Appropriations used to fund heavy water inventory and to discharge certain loan principal are recorded as contributed capital. All other appropriations are recorded in the consolidated statement of income as a reduction of applicable expenses or netted against the cost of related property, plant and equipment.

Pension Plan

Employees are covered by the Public Service Superannuation Plan administered by the Government of Canada. The corporation's contributions to the Plan are limited to an amount equal to the employees' contributions on account of current service. These contributions represent the total pension obligations of the corporation and are charged to income on a current basis.

Employee Termination Benefits

Employees are entitled to specific termination benefits as provided for under collective agreements and conditions of employment. The liability for these benefits is charged to income as benefits accrue to the employees. The accumulated liability is actuarially determined on a periodic basis.

3. Parliamentary Appropriations

Parliamentary appropriations were used during the year for the following purposes:

	1994	1993
	(in thousands of dollars)	
R & D operations		
Operating costs	156,956	156,681
Property, plant and equipment	4,549	10,634
Decommissioning activities	9,766	10,854
Heavy water plant loan principal	2,278	2,092
	173,549	180,261

ATOMIC ENERGY OF CANADA LIMITED—*Continued*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 1994—*Continued*

4. Isotope Production Facilities Write-off

The corporation and Nordion International Inc. (Nordion) are engaged in formal arbitration proceedings on various contractual matters. The issues follow the corporation's permanent shutdown of its NRX reactor for reasons of safety and inability to meet regulatory requirements and management's decision to discontinue its investment in discretionary isotope production facilities as a result of unsatisfactory returns. In addition, the corporation is a named party, together with Canada Development Investment Corporation (CDIC) and the Attorney General of Canada, in litigation commenced by MDS Health Group Ltd et al (MDS), Nordion's parent and Nordion. MDS and Nordion are seeking a mandatory injunction requiring the corporation to construct the MAPLE-X10 reactor, and, in addition, MDS is claiming as alternative relief the rescission of the share purchase agreement between CDIC and itself, the return of $165 million, being the purchase price, and damages in the amount of $300 million. On both the arbitration and litigation matters, management is of the view that the corporation is well positioned to defend itself and, as a result, no amount has been provided in the financial statements for damages from legal proceedings.

The isotope production facilities write-off of $75.4 million for the year mainly represents the write-off of in-progress capital costs and the estimated operating losses to continue to supply isotopes for the next several years. Although the estimated operating losses include some elements of waste-related costs, the total amount of decommissioning costs related to the production of isotopes have not been provided for. Refer to Note 11 for further information on decommissioning. The current planning assumption is that the corporation will continue to supply isotopes through its main research reactor.

5. Restructuring Costs

During the year, the corporation completed a review of its organizational structure and determined that administrative and support functions be consolidated to streamline activities and reduce costs. It was also concluded that reductions in the workforce were necessary to match workload. Consequently, the number of continuing full-time and part-time employees will be significantly reduced over the next two years. The $59 million provision for restructuring costs includes employee terminations, transfers and other related costs.

6. Long-term Receivables

	1994	1993
	(in thousands of dollars)	
Notes receivable from provincial utilities, repaid during 1994 (refer to Note 10 for related debt)		428,843
Contract receivables, maturing through 1998	63,642	60,209
Mortgages receivable and other	1,129	1,631
	64,771	490,683
Current portion	5,337	436,685
	59,434	53,998

7. Receivable from CDIC

On September 30, 1988, the corporation sold its shares in Nordion International Inc. (Nordion) and Theratronics International Limited (Theratronics) to Canada Development Investment Corporation (CDIC) for eventual privatization. Under the sale agreement, the corporation is to receive the proceeds from the sales less CDIC's expenses associated therewith. The sale of Nordion to a third party was completed in 1991. The CDIC receivable represents a $10.0 million holdback for general indemnity arising from this sale and the $10.3 million net book value of Theratronics at September 30, 1988.

8. Heavy Water Inventory

The corporation's $520.1 million of heavy water inventory was substantially government-funded through repayable parliamentary appropriations. Under an arrangement with the government, the corporation is required to return all but $97 million of such funding, together with interest thereon, to the extent of revenue from sales of related heavy water. Returns to the government are through dividends out of contributed capital. The timing of the realization of the $97 million has yet to be determined.

During the year contributed capital was reduced by $2.4 million (1993—$6.1 million) to account for the reduction in repayable parliamentary appropriations. Net proceeds payable to the government total $2.5 million (1993—$5.5 million).

ATOMIC ENERGY OF CANADA LIMITED—*Continued*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 1994—*Continued*

9. Property, Plant and Equipment

	1994				1993
	Cost	Parliamentary Appropriations and Third Party Funding	Accumulated Amortization	Net	Net
	(in thousands of dollars)				
Nuclear power operations					
Land and improvements	1,169	455	110	604	604
Buildings	7,812	3,548	3,365	899	727
Machinery and equipment	26,997	4,364	14,845	7,788	6,964
	35,978	8,367	18,320	9,291	8,295
Research and development operations					
Land and improvements	11,761	11,761			78
Buildings	88,675	87,500	114	1,061	1,360
Reactors and equipment	261,770	257,819	2,609	1,342	1,762
Construction in progress	29,286	29,286			22,045
	391,492	386,366	2,723	2,403	25,245
	427,470	394,733	21,043	11,694	33,540

Amortization of property, plant and equipment for the year ended March 31, 1994 amounted to $3.7 million (1993—$3.5 million).

10. Long-term Debt

	1994	1993
	(in thousands of dollars)	
Loans from Government of Canada		
To finance provincial utility nuclear facilities, such loans were repaid in 1994 (refer to Note 6 for related receivables)		428,851
To finance leased heavy water and other assets, maturing through 2008 at interest rates varying from 5.125% to 8.0%	15,742	17,221
Loans from third parties		
To finance the purchase of the Glace Bay heavy water plant, maturing through 1998 at an imputed interest rate of 8.875%	11,034	13,297
	26,776	459,369
Current Portion	3,782	432,560
	22,994	26,809

Loan repayments required over succeeding years are as follows (millions of dollars): 1995—$3.8; 1996—$4.0; 1997—$4.1; 1998—$4.3; 1999—$1.0; and subsequent to 1999—$9.5.

ATOMIC ENERGY OF CANADA LIMITED—*Concluded*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 1994—*Concluded*

11. Decommissioning Activities

When prototype reactors, heavy water plants, nuclear research, development and other facilities have no further commercial or research value to the corporation, they are retired and subsequently decommissioned in accordance with Atomic Energy Control Board regulations. Due to the variety of facilities, the decommissioning process may differ in each case. In some cases, decommissioning activities are carried out in stages with intervals of several decades between them to allow radioactivity to decay before moving on to the next stage. Activities include dismantling, decontamination and residual waste storage and disposal.

Estimation of future decommissioning and site remediation costs depends on the development of detailed plans, acceptable to regulatory agencies, and requires determination of the desired end-state, technology to be employed and, in some cases, research and development. The corporation has prepared a broad plan of activities to be carried out over the next four to five decades. While the cost of much of this future work could not be reasonable estimated, it has been possible to determine a range of $200-300 million as the likely cost of a portion of the program for which preliminary estimates can be made.

The corporation has not recorded the liability for these future activities because much of the future work could not be reasonably estimated and because, historically, decommissioning activities have been financed through parliamentary appropriations and by proceeds from related asset sales. The corporation expects to continue its present policy of expensing costs as decommissioning activities take place.

Decommissioning activities during the year included maintenance and protection of facilities placed in safe storage as well as continuing work on the WR-1 research reactor and facilities at Chalk River. The former isotope processing facilities at Tunney's Pasture have been cleared by the Atomic Energy Control Board for unrestricted use.

12. Related Party Transactions

In addition to the transactions disclosed elsewhere in these financial statements, the corporation had the following transactions with the Government of Canada:

	1994	1993
	(in thousands of dollars)	
Repayment of loans and interest	472,552	75,289
Payments to the Public Service Superannuation Plan	13,550	13,777

In the normal course of business, the corporation also enters into various transactions with the Government of Canada, its agencies and other Crown corporations.

13. Sales Agents' Remuneration

In 1994, remuneration and expenses paid to the following sales agents and representatives aggregated $3.8 million (1993—$1.7 million): B.C. Simeon Park, U.S.A.; Marubeni Corporation, Japan; Sumta Sanayi Urunleri Musavirlik Ve Ticaret A.S., Turkey; Samchang Corporation, Korea; and PII-PED International Inc, U.S.A. and Korea.

14. Comparative Figures

Certain reclassifications have been made to the 1993 comparative figures to conform with the current year's presentation.

BANK OF CANADA

AUDITORS' REPORT

We have audited the statement of assets and liabilities of the Bank of Canada as at December 31, 1993 and the statement of revenue and expense for the year then ended. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Bank as at December 31, 1993 and the results of its operations and the changes in its financial position for the year then ended in accordance with the accompanying summary of significant accounting policies applied on a basis consistent with the preceding year.

Raymond, Chabot, Martin, Paré
Chartered Accountants

Peat Marwick Thorne
Chartered Accountants

Ottawa, Canada
January 14, 1994

STATEMENT OF ASSETS AND LIABILITIES AS AT DECEMBER 31, 1993
(in millions of dollars)

ASSETS	1993	1992
Deposits payable in foreign currencies		
U.S.A. dollars	295.0	163.2
Other currencies	12.0	9.6
	307.0	172.8
Advances to members of the Canadian Payments Association (Note 9)	131.0	224.5
Investments—At amortized values (Note 4)		
Treasury bills of Canada	16,815.6	14,393.6
Other securities issued or guaranteed by Canada maturing within three years	2,367.8	3,210.1
Other securities issued or guaranteed by Canada not maturing within three years	4,254.0	4,763.3
Other investments	4,685.5	4,177.7
	28,122.9	26,544.7
Bank premises (Note 5)	241.1	233.4
Other assets	243.1	266.2
	29,045.1	27,441.6

LIABILITIES	1993	1992
Capital paid up (Note 6)	5.0	5.0
Rest fund (Note 7)	25.0	25.0
Notes in circulation	27,236.7	25,609.2
Deposits		
Government of Canada	9.5	20.1
Chartered banks	1,081.4	1,116.8
Other members of the Canadian Payments Association	12.5	88.8
Other deposits	498.7	512.9
	1,602.1	1,738.6
Liabilities payable in foreign currencies		
Government of Canada	156.9	28.1
Other liabilities	19.4	35.7
	29,045.1	27,441.6

See accompanying notes to the financial statements.

J. W. CROW
Governor

J.-P. AUBRY
Chief Accountant

BANK OF CANADA—*Continued*

STATEMENT OF REVENUE AND EXPENSE
YEAR ENDED DECEMBER 31, 1993
(in millions of dollars)

	1993	1992
Revenue		
Revenue from investments, net of interest paid on deposits of $17.1 ($26.7 in 1992)	1,757.6	2,007.5
Operating expenses		
Staff expenses (Note 2)		
Salaries	79.3	78.3
Contributions to pension and insurance funds	14.6	13.7
Travel and staff transfers	2.8	2.7
Other staff expenses	2.2	2.9
	98.9	97.6
Bank note costs	32.5	35.8
Other expenses		
Premises maintenance—Net of rental income	19.8	19.9
Taxes—Municipal and business	12.4	11.5
Directors' fees	0.1	0.1
Auditors' fees and expenses	0.6	0.6
Data processing and computer costs	8.7	8.3
Printing of publications	0.4	0.7
Other printing and stationery	2.0	1.8
Postage and express	1.5	1.5
Telecommunications	1.7	1.8
Other expenses—Net (Note 3)	2.2	2.2
	49.4	48.4
Depreciation on buildings and equipment	24.9	19.8
	205.7	201.6
Net revenue paid to Receiver General for Canada	1,551.9	1,805.9

See accompanying notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 1993

1. Significant accounting policies

The financial statements of the Bank conform to the disclosure and accounting requirements of the *Bank of Canada Act* and the Bank's by-laws. The significant accounting policies of the Bank are:

(a) Revenues and expenses

Revenues and expenses are accounted for on the accrual basis except for interest on advances to a bank ordered to be wound up where interest is recorded as received.

(b) Investments

Investments, consisting mainly of Government of Canada treasury bills and bonds, are recorded at cost adjusted for amortization of purchase discounts and premiums. The amortization as well as gains and losses on disposition are included in revenue.

(c) Translation of foreign currencies

Assets and liabilities in foreign currencies are translated to Canadian dollars at the rates of exchange prevailing at the year-end. Gains and losses from translation of, and transactions in, foreign currencies are included in revenue.

(d) Bank premises

Bank premises, consisting of land, buildings and equipment, are recorded at cost less accumulated depreciation. Depreciation is calculated on the declining balance method using the following annual rates:

Asset	Rate
Buildings	5%
Computer equipment	35%
Other equipment	20%

A full-year of depreciation is charged against assets in the year of acquisition, except for projects in progress which are depreciated from the point of substantial completion. No depreciation is taken on assets in the year of disposal.

(e) Pension plan

Pension plan expense is recorded on the basis of the Bank's contributions. Actuarial surpluses or deficiencies, if any, are amortized over periods not exceeding those provided for by the *Pension Benefits Standards Act, 1985,* and the regular contributions are adjusted accordingly.

(f) Insurance

The Bank does not insure against direct risks of loss to the Bank, except for potential liabilities to third parties and where there are legal or contractual obligations to carry insurance. Any costs arising from these risks are recorded in the accounts at the time they can be reasonably estimated.

2. Staff expenses

Wages and benefits of Bank staff engaged in premises maintenance are not included in this category but rather as part of the Premises maintenance expenses.

3. Other expenses—Net

Other expenses are net of expenses recovered through fees for a variety of services provided by the Bank ($1.6 million in 1993 and $1.3 million in 1992).

BANK OF CANADA—*Concluded*

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 1993—*Concluded*

4. Investments

Investments include securities of the Government of Canada totalling $125.9 million (nil in 1992) held under Purchase and Resale Agreements (PRA).

5. Bank premises

	1993			1992		
	Cost	Accumulated depreciation	Net book value	Cost	Accumulated depreciation	Net book value
	(in millions of dollars)					
Land and buildings	211.4	88.2	123.2	210.6	82.1	128.5
Computer equipment	44.5	34.9	9.6	40.4	29.8	10.6
Other equipment	120.7	62.4	58.3	95.8	50.3	45.5
	376.6	185.5	191.1	346.8	162.2	184.6
Projects in progress	50.0		50.0	48.8		48.8
	426.6	185.5	241.1	395.6	162.2	233.4

6. Capital paid up

The authorized capital of the Bank is $5.0 million divided into 100,000 shares of the par values of $50.00 each. The shares are fully paid and in accordance with the *Bank of Canada Act* have been issued to the Minister of Finance, who is holding them on behalf of Canada.

7. Rest fund

The rest fund was established by the *Bank of Canada Act* and represents the general reserve of the Bank. In accordance with the Act, the rest fund was accumulated out of net revenue until it reached the stipulated maximum amount of $25.0 million in 1955. Subsequently, all net revenues have been paid to the Receiver General for Canada.

8. Commitments

As at December 31, 1993, outstanding commitments under contracts for new buildings and equipment totalled $8.4 million. These contracts call for payments over the next year.

9. Legal matters

Advances include a total of $29.5 million, unchanged from 1992, provided to the Canadian Commercial Bank and the Northland Bank for which winding-up orders have been issued by the courts. On the basis of the available information, it is the opinion of the Bank of Canada that this amount will be fully repaid from the proceeds of the liquidations.

The Bank of Canada's security for these advances includes the loan portfolios of those institutions. In the case of the Canadian Commercial Bank, the liquidator's conclusion that loans made form part of the Bank of Canada's security has been challenged with respect to portions of the portfolio and these issues are before the courts. In the Northland liquidation, an issue regarding a clearing settlement made by Northland to the Bank is before the courts. In the event of a final legal determination that part of the CCB's loan portfolio is not included in the security or that the Northland clearing settlement is not covered under the Bank's security, it could result in some adjustment to amounts which have been recorded in income. The information available at the present time is not sufficient to estimate the magnitude of any potential adjustments.

CANADA COUNCIL

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The financial statements contained in this annual report have been prepared by Management of the Canada Council (Council) in accordance with the accounting policies set out in Note 2 to the financial statements. The integrity and objectivity of the data in these financial statements are Management's responsibility. Management is also responsible for all other information in the annual report and for ensuring that this information is consistent, where appropriate, with the information and data contained in the financial statements.

In support of its responsibility, Management has developed and maintains books of account, records, financial and management controls, information systems and management practices. These are designed to provide reasonable assurance as to the reliability of financial information, that assets are safeguarded and controlled, and that transactions are in accordance with the *Canada Council Act* and by-laws of the Council.

The Council is responsible for ensuring that Management fulfils its responsibilities for financial reporting and internal control. The Council exercises its responsibilities through the Audit Committee whose members are not officers of the Council. The Committee meets with Management and the independent external auditor to review the manner in which these groups are performing their responsibilities and to discuss auditing, internal controls and other relevant financial matters. The Audit Committee has reviewed the financial statements with the external auditor and has submitted its report to the Council. The Council has reviewed and approved the financial statements.

The Council's external auditor, the Auditor General of Canada, examines the financial statements and reports to Council and the Minister responsible for the Council.

Brian Anthony
Associate Director

David Hendrick
Treasurer

AUDITOR'S REPORT

TO THE CANADA COUNCIL AND THE
MINISTER DESIGNATE OF CANADIAN HERITAGE

I have audited the balance sheets of the Endowment Account and Special Funds of the Canada Council as at March 31, 1994 and the statements of revenue and expense, equity and changes in financial position for the year then ended. These financial statements are the responsibility of the Council's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Council as at March 31, 1994 and the results of its operations and the changes in its financial position for the year then ended in accordance with the accounting policies set out in Note 2 to the financial statements.

Raymond Dubois, FCA
Deputy Auditor General
for the Auditor General of Canada

Ottawa, Canada
June 3, 1994

CANADA COUNCIL—*Continued*

ENDOWMENT ACCOUNT

BALANCE SHEET AS AT MARCH 31, 1994
(in thousands of dollars)

ASSETS	1994	1993
Cash and short-term deposits	4,457	6,167
Accrued investment income	1,656	1,845
Accounts receivable	2,109	611
Deferred charges	1,380	1,006
Investments (Note 4)	123,830	117,831
Capital assets (Note 5)	5,102	884
Works of art	17,322	16,535
	155,856	144,879

LIABILITIES	1994	1993
Grants payable	14,955	19,658
Accounts payable and accrued liabilities	3,273	1,200
Deferred credits (Note 6)	6,754	834
Due to Special Funds	5,534	4,451
Due to Special Trusts (Note 7)	1,214	1,372
Provision for employee termination benefits	1,073	1,084
	32,803	28,599
EQUITY		
Fund capital		
Principal	50,000	50,000
Accumulated net gains on disposal of investments	52,062	44,097
	102,062	94,097
Contributed surplus—Works of art	17,322	16,535
Surplus	3,669	5,648
	123,053	116,280
	155,856	144,879

Approved by Management:

BRIAN ANTHONY
Associate Director

DAVID HENDRICK
Treasurer

Approved by the Council:

JACQUES LEFEBVRE
Vice Chairman

CANADA COUNCIL—*Continued*

STATEMENT OF REVENUE AND EXPENSE OF THE ENDOWMENT ACCOUNT FOR THE YEAR ENDED MARCH 31, 1994 (in thousands of dollars)

	1994	1993
Revenue		
Parliamentary appropriation	99,335	108,038
Net interest and dividends (Note 8)	7,943	8,191
Art Bank rental fees	1,552	1,532
Cancelled grants and refunds of grants approved in previous years	662	546
Other revenue	431	342
Recovery of relocation expenses (Note 6)	603	
	110,526	118,649
Expense		
Arts Division		
Grants (Schedule 1)	86,757	94,517
Services to the arts	2,158	2,703
Works of art—Net purchases (Note 9)	787	856
Administration (Schedule 2)	11,030	11,113
	100,732	109,189
Canadian Commission for UNESCO		
Administration (Schedule 2)	1,407	1,375
Program	95	126
	1,502	1,501
General administration (Schedule 2)	9,491	8,492
	111,725	119,182
Excess of expense over revenue before expense reduction and restructuring	1,199	533
Expense reduction and restructuring (Note 10)	780	
Excess of expense over revenue for the year	1,979	533

STATEMENT OF EQUITY OF THE ENDOWMENT ACCOUNT FOR THE YEAR ENDED MARCH 31, 1994 (in thousands of dollars)

	1994	1993
Fund capital		
Principal	50,000	50,000
Accumulated net gains on disposal of investments		
Balance at beginning of the year	44,097	37,351
Net gains on disposal for the year	7,965	6,746
Balance at end of the year	52,062	44,097
Balance of Fund capital at end of the year	102,062	94,097
Contributed surplus—Works of art		
Balance at beginning of the year	16,535	15,751
Net purchases during the year (Note 9)	787	856
Adjustment to works of art inventory		(72)
Balance at end of the year	17,322	16,535
Surplus		
Balance at beginning of the year	5,648	6,181
Excess of expense over revenue for the year	1,979	533
Balance at end of the year	3,669	5,648

STATEMENT OF CHANGES IN FINANCIAL POSITION OF THE ENDOWMENT ACCOUNT FOR THE YEAR ENDED MARCH 31, 1994 (in thousands of dollars)

	1994	1993
Operating activities		
Excess of expense over revenue for the year	(1,979)	(533)
Items not affecting cash		
Amortization	1,077	449
Employee termination benefits	(11)	33
	(913)	(51)
Change in non-cash operating assets and liabilities	2,532	1,321
Funds provided by operating activities	1,619	1,270
Financing activities		
Net gains on disposal of investments credited to Fund capital	7,965	6,746
Investing activities		
Acquisition of capital assets	(5,295)	(57)
Increase in investments	(5,999)	(5,852)
Funds applied to investing activities	(11,294)	(5,909)
(Decrease) increase in funds	(1,710)	2,107
Cash and short-term deposits at beginning of the year	6,167	4,060
Cash and short-term deposits at end of the year	4,457	6,167

CANADA COUNCIL—*Continued*

SPECIAL FUNDS

BALANCE SHEET AS AT MARCH 31, 1994
(in thousands of dollars)

ASSETS	1994	1993
Cash and short-term deposits	4,117	3,062
Accrued interest and accounts receivable	474	481
Investments (Note 4)	39,994	39,667
Due from Endowment Account	5,534	4,451
Donated property		883
Musical instruments	930	930
	51,049	49,474

LIABILITIES	1994	1993
Grants payable	2,359	2,615
Accounts payable and accrued liabilities	62	31
Deferred credits	20	20
	2,441	2,666
EQUITY		
Fund capital		
Principal	35,306	35,180
Accumulated net gains on disposal of investments	12,568	10,839
	47,874	46,019
Surplus	734	789
	48,608	46,808
	51,049	49,474

Approved by Management:

BRIAN ANTHONY
Associate Director

DAVID HENDRICK
Treasurer

Approved by the Council:

JACQUES LEFEBVRE
Vice Chairman

CANADA COUNCIL—*Continued*

STATEMENT OF REVENUE AND EXPENSE OF THE SPECIAL FUNDS FOR THE YEAR ENDED MARCH 31, 1994 (in thousands of dollars)

	1994	1993
Revenue		
Net interest and dividends (Note 8)	2,746	2,873
Other revenue	35	19
	2,781	2,892
Expense		
Grants	2,456	2,629
Administration	380	395
	2,836	3,024
Excess of expense over revenue for the year	55	132

STATEMENT OF EQUITY OF THE SPECIAL FUNDS (NOTE 3) FOR THE YEAR ENDED MARCH 31, 1994 (in thousands of dollars)

	1994	1993
Fund capital		
Principal		
Balance at beginning of the year	35,180	34,141
Contributions received	187	1,039
Reduction of principal (Note 3(i))	(61)	
Balance at end of the year	35,306	35,180
Accumulated net gains on disposal of investment		
Balance at beginning of the year	10,839	9,546
Net gains on disposal for the year	1,729	1,293
Balance at end of the year	12,568	10,839
Balance of Fund capital at end of the year	47,874	46,019
Surplus		
Balance at beginning of the year	789	921
Excess of expense over revenue for the year	55	132
Balance at end of the year	734	789

STATEMENT OF CHANGES IN FINANCIAL POSITION OF THE SPECIAL FUNDS FOR THE YEAR ENDED MARCH 31, 1994 (in thousands of dollars)

	1994	1993
Operating activities		
Excess of expense over revenue for the year	(55)	(132)
Change in non-cash operating assets and liabilities	(1,301)	126
Funds applied to operating activities	(1,356)	(6)
Financing activities		
Contributions received	187	1,039
Proceeds on disposal of donated property	822	
Donations received as real property		(883)
Net gains on disposal of investments credited to Fund capital	1,729	1,293
Funds provided by financing activities	2,738	1,449
Investing activities		
Increase in investments	(327)	(909)
Increase in funds	1,055	534
Cash and short-term deposits at beginning of the year	3,062	2,528
Cash and short-term deposits at end of the year	4,117	3,062

CANADA COUNCIL—*Continued*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1994

1. Authority, operations and objectives

The Canada Council was established by the *Canada Council Act* in 1957 which authorized the creation of an Endowment Fund of $50 million pursuant to Section 13 of the Act. Except for the annual parliamentary appropriation, monies or properties donated to the Council pursuant to Section 18 of the Act are generally accounted for as Special Funds or Special Trusts. The Council has been assigned the functions and duties for the Canadian Commission for UNESCO pursuant to paragraph 8(2) of the Act. The Council is not an agent of Her Majesty. Its objectives are to foster and promote the study, enjoyment and production of works, in the arts.

2. Significant accounting policies

The most significant accounting policies are:

(a) Investments

Equities, bonds, debentures and mortgages are recorded at cost. Special Funds with capital in excess of $250,000 and received after January 1, 1990 are merged with the Endowment Account. The participation of each fund is calculated on the basis of market value as at the date the monies are received. Interest, dividends, gains and losses on disposal of investments are allocated to each fund based on the percentages established at the beginning of each quarter.

Special Funds with capital less than $250,000 and Special Trusts earn interest calculated quarterly using the ninety day Treasury Bill rate at the beginning of the quarter.

Investments are written down to market value when the loss in value is considered to be a permanent decline.

(b) Deferred charges

Exhibition costs in the Art Bank are deferred and amortized over three years in order to properly match those expenses with the rental revenues generated from the exhibitions.

(c) Capital Assets

Equipment and leasehold improvements are recorded at cost and amortized over their estimated useful lives on the straight-line method, as follows:

Computer equipment	3 years
Other equipment	5 years
Leasehold improvements	term of the lease (maximum 10 years)

A full year's amortization is taken in the year of acquisition while no amortization is taken in the year of disposal. Gains and losses on disposals are netted against the amortization expense in the year of disposal.

(d) Works of art

Works of art acquired by the Canada Council Art Bank are recorded at laid-down cost and no amortization is recorded.

(e) Donated property—Special Funds

Donated property is recorded at appraised value and the amount is credited to the principal of the fund capital.

(f) Musical instruments—Special Funds

Musical instruments are recorded at cost and no amortization is recorded.

(g) Special Funds and Special Trusts

Special Funds and Special Trusts include amounts received by the Canada Council by way of bequest, gift or donation and may be specific as to purpose.

Special Funds are managed at the full discretion of the Canada Council and are invested in accordance with the policies of the Endowment Fund.

Special Trusts are either managed or allowed to have their capital drawn down, in accordance with the donor's wishes.

(h) Employee termination benefits

Employees are entitled to specific termination benefits as provided for under the Council's policy and conditions of employment. The cost of these benefits is expensed in the year in which they accrue to employees.

(i) Gains and losses on disposal of investments

Pursuant to subsection 17(2) of the Act, net gains or losses on disposal of investments are credited or charged to the Fund capital. Premiums and discounts on fixed term investments are not amortized but are included in gains and losses on disposal. In the event that net losses exceed the Fund balance, the excess is charged to operations.

(j) Contributed surplus—Works of art

Amounts paid during the year for the purchase of works of art acquired by the Canada Council Art Bank are expensed. Such purchases, net of any proceeds from sales of works of art, are then capitalized as contributed surplus—Works of art.

(k) Capitalization of net income of Special Funds

The Council normally capitalizes 10% of the revenue less administration expenses of the Izaak Walton Killam Memorial Fund for Advanced Studies and the Killam Special Scholarship Fund, in accordance with advice received from the trustees of these Funds in order to preserve the equity for future beneficiaries. However, the Council reserves the right to draw at any time on the accumulated net income capitalized, for the purposes of the funds.

(l) Pension plan

Employees participate in the Public Service Superannuation Plan administered by the Government of Canada. The employees and the Council contribute equally to the cost of the Plan. This contribution represents the total liability of the Council. The Council is not required to make contributions with respect to actuarial deficiencies of the Public Service Superannuation Account.

(m) Parliamentary appropriations

Parliamentary appropriations to the Council are recorded as revenue in the year in which they are approved by Parliament.

(n) Grants and services

Grants are recorded as an expense in the year for which they are approved by Council. Cancelled grants and refunds of grants approved in previous years are shown as revenue.

Services to the arts, which include juries, advisory committees, prizes and other costs that directly serve artists or the arts community, are recorded as expenses in the year in which they are incurred.

CANADA COUNCIL—*Continued*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1994—*Continued*

(o) Foreign currency translation

Foreign currency transactions are translated into Canadian dollars at the exchange rate in effect at the transaction date. Monetary assets and liabilities denominated in foreign currency are translated into Canadian dollars at the historical rate of exchange.

3. Special Funds

(a) Izaak Walton Killam Memorial

A bequest of $12,339,615 in cash and securities was received from the estate of Mrs. Dorothy J. Killam and was established "to provide scholarships for advanced study or research in any field of study or research other than the 'arts' as presently defined in the *Canada Council Act* and not limited to the 'humanities and social sciences' referred to in such Act".

The bequest contains the provision that the Fund shall not form part of the Endowment Account or otherwise be merged with any assets of the Council, and in the event that the Canada Council should ever be liquidated or its existence terminated or its powers and authority changed so that it is no longer able to administer any Killam Trust, the assets forming any such Killam Trust shall thereupon be paid over to certain universities which have also benefited under the will. The cash and securities received and the proceeds have been invested in a separate portfolio.

The fund equity as at March 31, 1994 was $20,165,374 (1993—19,799,871)).

(b) Killam Special Scholarship

This fund was established by way of securities received from Mrs. Dorothy J. Killam. Dividends and proceeds from the redemption of those securities amounted to $13,653,344.

The net income from this fund is available to provide fellowship grants to Canadians for advanced study or research in the fields of medicine, science and engineering.

The fund equity as at March 31, 1994 was $19,470,628 (1993—$18,395,528).

(c) Jean A. Chalmers

An endowment of $500,000 in cash was received from Mrs. Floyd S. Chalmers to establish a special Jean A. Chalmers Fund for the crafts. In consultation with the Canadian Crafts Council, the income of the fund is used to provide a small number of special project grants for the development or advancement of the crafts in Canada.

The fund equity as at March 31, 1994 was $516,033 (1993—$528,685).

(d) Molson Prize

Gifts of $1,000,000 were received from the Molson Foundation for the establishment of the Molson Prize Fund. The income of the fund is used for awarding cash prizes to Canadians "for outstanding achievement in the fields of the Arts, the Humanities or the Social Sciences".

The fund equity as at March 31, 1994 was $1,767,233 (1993—$1,553,563).

(e) Lynch-Staunton

This fund was established by a bequest in cash of $699,066 received from the estate of V.M. Lynch-Staunton, the income from which is available for the regular programs of the Council.

The fund equity as at March 31, 1994 was $1,728,163 (1993—$1,611,108).

(f) Vida Peene

This fund was established by a bequest in cash of $599,761 received from Vida Peene to provide payments to specified organizations.

The fund equity as at March 31, 1994 was $599,761 (1993—$599,761).

(g) Joseph S. Stauffer

This fund was established by bequests in cash totalling $400,000 from the estate of Joseph S. Stauffer, the income from which is to provide prizes to encourage promising young Canadians in the fields of music, visual arts and literature.

The fund equity as at March 31, 1994 was $446,748 (1993—$451,047).

(h) John G. Diefenbaker

The Council received an endowment of $1,000,000 from the Government of Canada. The income from this endowment is to be used to provide an annual grant to a German scholar to engage in research or advanced studies in Canada.

The fund equity as at March 31, 1994 was $1,157,830 (1993—$1,105,467).

(i) Coburn Fellowship

During the year the property received in 1993 from the estate of Kathleen Coburn was sold. The sale of property resulted in a reduction of $61,205 to the capital account for this fund, finalizing the total bequest at $945,363. The income from the fund is to provide for exchanges of scholars between Israël and Canada.

The fund equity as at March 31, 1994 was $979,675 (1993—$996,988).

(j) Other

The following Special Funds have an original capital of less than $250,000 and have a total fund equity as at March 31, 1994 of $1,776,396 (1993—$1,639,029).

(i) Frances Elizabeth Barwick and J.P. Barwick

Bequests totalling $93,000 in cash were received from the estates of Mrs. Frances Elizabeth Barwick and J.P. Barwick. The total fund is to be used for the benefit of the musical arts and is being used for the Council's Musical Instruments Bank.

(ii) John B.C. Watkins

This fund was established by a bequest consisting of the net income from the residue of the estate of the late John B.C. Watkins to provide scholarships for postgraduate studies.

CANADA COUNCIL—*Continued*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1994—*Continued*

(iii) The Duke and Duchess of York Prize in Photography

The Council received an endowment of $170,000 from the Government of Canada to mark the occasion of the marriage of The Duke and Duchess of York. The income from this endowment is to be used to provide an annual scholarship to a professional artist for personal creative work or advanced study in photography.

(iv) Petro Canada Award

Petro Canada donated $50,000 towards an award in the media arts. The income from this donation is to be used to provide an award every two years to an artist who has achieved outstanding and innovative use of new technology in the media arts.

(v) Ronald J. Thom Award

The Council was the beneficiary of donations totalling $106,898 to provide an award every two years "to a candidate in the early stages of his or her career in architecture, who demonstrates outstanding creative talent in architectural design and a sensitivity to its allied arts".

(k) Funds will eventually be received from the following bequests:

(i) Edith Davis Webb

This fund, estimated at $400,000, is intended "for the purpose of making grants or establishing scholarships for musical study in such manner as the Council shall determine".

(ii) John Stephen Hirsch

This fund, the amount of which cannot be determined at this time, is being established from the estate of John Hirsch for specific purposes. An interim distribution of $113,000 has been received from the estate.

4. Investments

	1994		1993	
	Cost	Market value	Cost	Market value
	(in thousands of dollars)			
Endowment Account				
Bonds and debentures	54,620	54,544	61,804	65,596
Equities	67,902	87,793	54,603	65,518
Mortgages	1,308	1,308	1,424	1,424
	123,830	143,645	117,831	132,538
Special Funds				
Bonds and debentures	18,616	18,053	17,825	18,206
Equities	21,223	24,614	21,658	22,617
Mortgages	155	155	184	184
	39,994	42,822	39,667	41,007

5. Capital Assets

	1994			1993
	Cost	Accumulated amortization	Net book value	Net book value
	(in thousands of dollars)			
Computer equipment	2,527	1,435	1,092	191
Other equipment	1,220	1,109	111	135
Leasehold improvements	5,205	1,306	3,899	558
	8,952	3,850	5,102	884

6. Deferred credits

	1994	1993
	(in thousands of dollars)	
Deferred lease inducement	5,367	
Deferred rent	600	
Art Bank		
—Rentals of works of art	421	425
Canadian Commission for UNESCO	361	272
Other	5	137
	6,754	834

The deferred lease inducement represents an inducement payment received from the landlord, net of expenses, associated with the relocation of Council's offices ($603,000) which is shown as a cost recovery on the Statement of Revenue and Expense. The net deferred lease inducement will be used to reduce rental accommodation expense over the term of the lease. Deferred rent represents an amount receivable from another Federal Government Agency to cover the rental of space over the next five years. Amounts from the Canadian Commission for Unesco represent funds received for specific programs for which expenses have not yet been incurred.

7. Due to Special Trusts

These funds have been accounted for separately due to special conditions related to the donations. Trusts with balances exceeding $50,000 are:

(i) Glenn Gould Prize Fund

The Council has received $525,113 from the Glenn Gould Memorial Foundation to provide a prize of $50,000 every three years (funds permitting) to an outstanding individual for his or her original contribution to the field of music and communications. As at March 31, 1994, the balance stood at $856,314 (1993—$711,083).

(ii) Visiting Foreign Artists Program

The Visiting Foreign Artists Program is administered by the Arts Awards Service of the Canada Council on behalf of the Department of External Affairs. It is a residency program through which Canadian professional arts organizations receive assistance to invite distinguished foreign artists from any country outside Canada for periods ranging from two weeks to four months. As at March 31, 1994, the balance stood at $62,182 (1993—$76,012).

CANADA COUNCIL—*Continued*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1994—*Concluded*

(iii) Japan-Canada Fund

The Council received an endowment of $966,651 from the Government of Japan "to further strengthen the relations between Canada and Japan". After consultations with the Embassy of Japan, the endowment is to be used to fund programs that will encourage artistic exchange between the two countries. As at March 31, 1994, the balance stood at $372,483 (1993—$624,378).

8. Net interest and dividends

	1994	1993
	(in thousands of dollars)	
Endowment Account		
Interest and dividends	8,479	8,650
Investment portfolio management costs	(536)	(459)
Net interest and dividends	7,943	8,191
Special Funds		
Interest and dividends	2,912	2,996
Investment portfolio management costs	(166)	(123)
Net interest and dividends	2,746	2,873

9. Works of art

	1994	1993
	(in thousands of dollars)	
Purchases	831	879
Proceeds from sales	(44)	(23)
Net purchases	787	856

10. Expense reduction and restructuring

As part of a plan to reduce administrative costs, on March 22, 1994, the Council adopted a motion aiming at reducing the salary envelope through voluntary retirements and layoffs. The estimated cost of these severance packages is $780,000 and has been accrued as at March 31, 1994.

11. Lease commitments

The Council is party to long-term leases with respect to rental accommodation. The aggregate minimum annual rental is as follows:

	(in thousands of dollars)
1995	3,772
1996	3,803
1997	3,821
1998	3,832
1999	4,002
2000-2004	13,778

The annual rentals have been reduced as a result of sub-leases with Public Works Canada and Government Services Canada.

12. Related party transactions

In addition to those related party transactions disclosed elsewhere in these financial statements, the Council enters into transactions with Government of Canada departments, agencies and Crown Corporations in the normal course of business. These transactions are at normal trade terms applicable to all individuals and enterprises.

13. Comparative figures

Certain of the 1993 figures have been reclassified to conform to the 1994 presentation.

CANADA COUNCIL—*Concluded*

SCHEDULE OF GRANT EXPENSES BY SECTION
OF THE ENDOWMENT ACCOUNT
FOR THE YEAR ENDED MARCH 31, 1994
(in thousands of dollars) SCHEDULE 1

	1994	1993
Theatre	16,351	17,237
Music	15,038	16,668
Writing and Publishing	12,370	14,076
Arts Awards	10,092	10,595
Dance	10,020	10,776
Public Lending Right Commission	6,214	6,925
Visual Arts	5,401	5,905
Media Arts	4,271	4,705
Touring Office	4,028	4,444
Explorations	2,954	3,110
Other	18	76
	86,757	94,517

SCHEDULE OF ADMINISTRATION EXPENSES
OF THE ENDOWMENT ACCOUNT
FOR THE YEAR ENDED MARCH 31, 1994
(in thousands of dollars) SCHEDULE 2

	Arts	Canadian Commission for UNESCO	General	Total 1994	Total 1993
Salaries	6,435	862	4,282	11,579	11,000
Employee benefits	1,253	166	779	2,198	2,076
Office accommodation	1,832	129	1,032	2,993	3,165
Professional and special services	344	19	717	1,080	1,095
Amortization	73		1,004	1,077	449
Staff travel	458	63	93	614	888
Relocation expenses			603	603	
Communications	319	33	150	502	676
Informatics	18		459	477	556
Printing, publications and duplicating	130	22	131	283	389
Meeting expenses including members' honoraria	56	101	73	230	355
Office expenses and equipment	66	12	125	203	239
Miscellaneous	46		43	89	92
	11,030	1,407	9,491	21,928	20,980

CANADA DEPOSIT INSURANCE CORPORATION

MANAGEMENT RESPONSIBILITY FOR FINANCIAL STATEMENTS

The accompanying financial statements of the Canada Deposit Insurance Corporation and all information in this annual report are the responsibility of management and the financial statements have been approved by the Board of Directors. The financial statements include some amounts that are necessarily based on management's best estimates and judgement.

The financial statements have been prepared by management in accordance with generally accepted accounting principles. Financial information presented elsewhere in the annual report is consistent with that contained in the financial statements.

In discharging its responsibility for the integrity and fairness of the financial statements, management maintains financial and management control systems and practices designed to provide reasonable assurance that transactions are authorized, assets are safeguarded and proper records are maintained in accordance with the *Financial Administration Act* and regulations as well as the *Canada Deposit Insurance Corporation Act* and by-laws of the Corporation. The system of internal control is augmented by internal audit which conducts periodic reviews of different aspects of the Corporation's operations. In addition, the internal and external auditors have free access to the audit committee of the Board, which oversees management's responsibilities for maintaining adequate control systems and the quality of financial reporting and recommending the annual report and financial statements to the Board of Directors.

In accordance with its Statutory Objects, the Corporation monitors the operations of its member institutions with varying degrees of intensity, as circumstances warrant. During the period, the Corporation changed its policy with respect to the general provision for loss. In prior years, CDIC did not recognize in its accounts an amount for a general provision for losses on insured deposits where such losses could not be identified by institution, although the exposure to loss was disclosed by way of note to the financial statements. The general provision for loss reflects the Corporation's best estimate of losses on insured deposits where such losses cannot be reasonably estimated by institution. However, future economic conditions are not predictable with certainty and actual losses may vary from the Corporation's estimate.

These financial statements have been independently audited by the Corporation's auditor, the Auditor General of Canada, and his report is included herein.

J. P. Sabourin
President and Chief Executive Officer

Johanne R. Lanthier
Vice-President, Finance

AUDITOR'S REPORT

TO THE MINISTER OF FINANCE

I have audited the balance sheet of the Canada Deposit Insurance Corporation as at March 31, 1994 and the statements of operations and deposit insurance fund, and changes in financial position for the fifteen month period then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 1994 and the results of its operations and the changes in its financial position for the fifteen month period then ended in accordance with generally accepted accounting principles. As required by the *Financial Administration Act*, I report that, in my opinion, these principles have been applied, after giving retroactive effect to the introduction of a general provision for loss as explained in Note 3 to the financial statements, on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Corporation that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Canada Deposit Insurance Corporation Act* and the by-laws of the Corporation.

L. Denis Desautels, FCA
Auditor General of Canada

Ottawa, Canada
May 19, 1994

CANADA DEPOSIT INSURANCE CORPORATION—*Continued*

BALANCE SHEET AS AT MARCH 31, 1994
(in thousands of dollars)

ASSETS	March 31 1994	December 31 1992
	$	$
Cash and short term investments	26,091	321,068
Premiums and other accounts receivable	6,649	5,191
Deferred interest expense	7,464	24,455
Capital assets	1,982	2,043
	42,186	352,757
Loans receivable (Note 4)	1,049,338	1,566,974
Claims receivable (Note 4)	1,742,077	1,381,997
	2,791,415	2,948,971
Allowance for losses on loans and claims receivable (Note 6)	(446,000)	(416,500)
	2,345,415	2,532,471
	2,387,601	2,885,228

LIABILITIES	March 31 1994	December 31 1992
	$	$
Accounts payable	28,709	5,705
Provision for guarantees (Notes 5 and 6)	629,448	615,000
General provision for loss (Notes 3 and 6)	200,000	
Loans from the Consolidated Revenue Fund (Note 7)	3,177,096	3,715,180
	4,035,253	4,335,885
DEPOSIT INSURANCE FUND		
Deficit, end of period	(1,647,652)	(1,450,657)
	2,387,601	2,885,228

Approved by the Board:

G.L. REUBER
Chairman

H. MARCEL CARON
Director

CANADA DEPOSIT INSURANCE CORPORATION—*Continued*

STATEMENT OF OPERATIONS AND DEPOSIT INSURANCE FUND
FOR THE FIFTEEN MONTHS ENDED MARCH 31, 1994
(in thousands of dollars)

	March 31 1994	December 31 1992
	(15 months)	(12 months)
Revenues		
Premiums	391,161	302,371
Interest on cash and short term investments	7,081	3,212
Other revenue	11,054	2,273
	409,296	307,856
Expenses		
Provision for loss (Notes 5 and 6)	108,500	959,532
Interest on loans from the Consolidated Revenue Fund (Note 7)	269,679	176,950
Operating and intervention expenses (Note 11)	26,219	28,652
Other interest	1,893	3,401
	406,291	1,168,535
Gain (loss) from operations	3,005	(860,679)
Deficit, beginning of period	(1,450,657)	(589,978)
Retroactive adjustment (Note 3)	(200,000)	
Deficit, end of period	(1,647,652)	(1,450,657)

STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE FIFTEEN MONTHS ENDED MARCH 31, 1994
(in thousands of dollars)

	March 31 1994	December 31 1992
	(15 months)	(12 months)
Operating Activities		
Gain (loss) from operations	3,005	(860,679)
Non-cash items included in gain (loss) from operations		
Provisions for loss	108,500	959,532
Other	100	(63,501)
Payment of guarantees	(64,552)	
Loans disbursed	(157,459)	(1,538,705)
Loans recovered	618,159	19,131
Claims paid	(1,350,912)	(492,981)
Claims recovered	1,047,768	262,539
Cash provided by (used in) operating activities	204,609	(1,714,664)
Investing Activities		
Purchase of capital assets—Net	(586)	(1,010)
Financing Activities		
Loans from the Consolidated Revenue Fund:		
Advances	1,230,000	2,105,000
Repayments	(1,729,000)	(270,000)
Cash provided by (used in) financing activities	(499,000)	1,835,000
Cash and short term investments		
Increase (decrease) during the period	(294,977)	119,326
Balance, beginning of period	321,068	201,742
Balance, end of period	26,091	321,068

NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 1994

1. Authority and Objective

The Corporation was established in 1967 by the *Canada Deposit Insurance Corporation Act* (the *CDIC Act*). It is a Crown corporation named in Part I of Schedule III to the *Financial Administration Act*.

The objects of the Corporation are to provide insurance against the loss of part or all of deposits, to be instrumental in the promotion of standards of sound business and financial practices for member institutions, and to promote and otherwise contribute to the stability and competitiveness of the financial system in Canada. These objects are to be pursued for the benefit of depositors of member institutions and in such manner so as to minimize the exposure of the Corporation to loss.

The Corporation has the power to do all things necessary or incidental in the furtherance of its objects including the acquisition of assets from, and providing guarantees or loans to a member institution. It may make or cause to be made inspections of member institutions, prescribe standards of sound business and financial practices, and act as liquidator, receiver or inspector of a member institution or a subsidiary thereof.

2. Significant Accounting Policies

Basis of Preparation

These financial statements have been prepared in accordance with generally accepted accounting principles.

These financial statements do not reflect the assets, liabilities or operations of member institutions in which the Corporation has intervened.

Premium Revenue

Premiums are recognized when assessed and are based on insured deposits with member institutions as at April 30 of each year. Premiums are collectible in two equal instalments, on June 30 and December 31.

Interest Revenue

The Corporation charges interest on loans it disburses, directly or indirectly, in accordance with the specific terms of the loan agreements. This interest continues to accrue to the benefit of the Corporation but is not recognized in the accounts when an insolvent member institution is placed in liquidation or when there is a reasonable doubt as to the ultimate collectibility of the interest. In such cases, cash receipts are recognized as a reduction of the loan principal until such time as the loans are retired. Subsequent cash receipts are recognized as interest revenue on a cash basis.

Provisions for Loss

CDIC has three types of provisions for loss in its financial statements:

Loans and Claims Receivable—The allowance for losses on loans and claims receivable reflects the Corporation's best estimate of losses in respect of claims against insolvent member institutions arising from payments made to insured depositors and loans made to member institutions and others under a loan agreement. The allowance is established by assessing business plans and other information provided by the liquidators of the various estates and/or agents acting on behalf of the Corporation.

CANADA DEPOSIT INSURANCE CORPORATION—*Continued*

NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 1994—*Continued*

Guarantees—In facilitating the restructuring of certain member institutions, CDIC may provide certain guarantees to member institutions. The amount estimated to be required to cover these guarantees is recorded as a charge against operations and is reflected on the balance sheet as a provision for guarantees.

General—The general provision for loss reflects the Corporation's best estimate of losses on insured deposits where such losses cannot be reaonably estimated by institution. The provision is established by assessing the aggregate risk in the member institutions based on current market and economic conditions and by applying historical loss experience.

Future economic conditions are not predictable with certainty and the actual losses may vary from the Corporation's estimate.

3. Change in accounting policy

General Provision

During the period, the Corporation changed its policy with respect to its general provision for loss. In prior years, the Corporation did not recognize in its accounts an amount for a general provision for losses on insured deposits where such losses could not be identified by institution, although the exposure to loss was disclosed by way of note to the financial statements. The revised accounting policy on the general provision for loss is described in note 2.

The retroactive impact of this change in accounting policy on the opening deficit is an increase of $200 million.

4. Loans and Claims Receivable

Claims against insolvent member institutions arise through the subrogation of the rights and interests of the depositor when the Corporation pays that depositor's claim. The Corporation also asserts a claim against insolvent member institutions in liquidation, arising out of loans previously disbursed by the Corporation. The Corporation is asserting claims against all the insolvent member institutions that have been placed in liquidation. During the 15-month period, three member institutions, Dominion Trust, Penor Trust and Monarch Trust, were placed in liquidation. In respect of these three members, the Corporation paid $1.32 billion in claims relating to their insured deposits and has so far recovered $716 million.

Under the general powers of subsection 10(1) of the *CDIC Act*, the Corporation made secured loans to member institutions and others through the provisions of loan agreements. No new loan agreements were entered into during the period.

5. Provision for Guarantees

The Corporation has $2.86 billion outstanding in guarantees to certain member institutions under deficiency coverage agreements. These guarantees were provided in respect of potential principal and income losses on eligible assets of these member institutions. Of the $615 million estimated loss recognized in 1992 on these guarantees, $550 million remains unpaid. The guarantees will be in force, on a diminishing basis, for a nine-year period ending in 2002.

The Corporation also provided an interest rate spread guarantee of $170 million to a member institution of which $79 million remains unpaid.

6. Provisions for Loss

The following table is a continuity schedule for the provisions for losses on loans and claims receivable, guarantees and the general provision as at March 31, 1994.

	Loans and claims receivable	Guarantees	General provision	Total
	(in thousands of dollars)			
Beginning of Period	416,500	615,000		1,031,500
Adjusment for prior years			200,000	200,000
Provisions for Loss	29,500	79,000		108,500
Payment of Guarantees		(64,552)		(64,552)
End of Period	446,000	629,448	200,000	1,275,448

7. Loans from the Consolidated Revenue Fund

With Governor in Council approval, the Corporation can borrow up to $6 billion from the Consolidated Revenue Fund.

As at March 31, 1994, the Corporation has $3,177 million in outstanding loans including accrued interest of $26 million (December 31, 1992: $3,715 million including accrued interest of $65 million).

These loans bear interest at various annual rates ranging from 4.1% to 7.5% and are repayable according to the following schedule:

Year Ended March 31	Amount (in millions of dollars)
1995	1,102
1996	467
1997	872
1998	710
	3,151

8. Income Taxes

The Corporation is subject to federal income tax and has available losses which can be carried forward to reduce future years' earnings.

Such losses total $1,107 million and expire as follows:

Year	Amount (in millions of dollars)
1995	136.7
1996	144.4
1997	143.3
1998	141.4
1999	223.4
2000	221.4
2001	96.4
	1,107.0

CANADA DEPOSIT INSURANCE CORPORATION—*Concluded*

NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 1994—*Concluded*

9. Contingent Liabilities

The Corporation is a defendant in a number of judicial actions arising out of the collapse or insolvency of various member institutions. The Corporation does not believe it has any liability as a result of these actions and has therefore not provided for any potential claims.

10. Insured Deposits

Deposits insured by the Corporation, on the basis of returns received from member institutions, as at April 30, 1993 and 1992, were as follows:

	1993	1992
	(in billions of dollars)	
Federal Institutions	282	280
Provincial Institutions	21	22
	303	302

11. Operating and Intervention Expenses

	March 31 1994 (15mths)	March 31 1994 (3 mths)	December 31 1993 (12mths)	December 31 1992 (12mths)
	(in thousands of dollars)			
Inspection, legal and other fees	9,741	2,108	7,633	9,978
Salaries and other personnel costs	8,290	1,846	6,444	6,098
Premises	2,896	566	2,330	2,058
General expenses	2,688	805	1,883	2,219
Data processing	2,005	578	1,427	5,229
Public awareness	599	313	286	3,070
	26,219	6,216	20,003	28,652

12. Premiums

In accordance with paragraph 21(1) (b) of the *CDIC Act*, the premium rate for the premium year 1994 was set at one-sixth of one percent of insured deposits. The premium rate in 1993 was one-eighth of one percent of insured deposits.

13. Change in Year End

In accordance with section 40 of the *CDCI Act*, the Corporation requested, and the Governor in Council approved, a change in the financial year end from December 31 to March 31. Accordingly, these financial statements have been prepared for fifteen months covering the period January 1, 1993 to March 31, 1994.

CANADA DEVELOPMENT INVESTMENT CORPORATION

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The accompanying consolidated financial statements of Canada Development Investment Corporation are the responsibility of management and have been approved by the Board of Directors.

The consolidated financial statements have been prepared by management in accordance with generally accepted accounting principles. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances. Financial statements are not precise since they include certain amounts based on best estimates and judgements. Management has prepared the financial information presented elsewhere in this annual report and has ensured that it is consistent with that in the financial statements.

CDIC maintains systems of internal accounting and administrative controls designed to provide reasonable assurance that the financial records are reliable, form a proper basis for the preparation of financial statements and that CDIC's assets are properly accounted for and adequately safeguarded.

The Board of Directors carries out its responsibility for the financial statements in this report principally through its audit committee, consisting solely of outside directors. The audit committee reviews CDIC's annual consolidated financial statements and reports its findings to the Board for their consideration and approval. The audit committee also meets with management and with the Shareholder's Auditors to discuss auditing matters and financial reporting issues. Due to its size, and as permitted by Order in Council, CDIC is exempt from the requirement to carry out internal audits.

These consolidated financial statements have been audited by the Shareholder's Auditors, the Auditor General of Canada and KPMG Peat Marwick Thorne whose report is presented separately.

Benita M. Warmbold
Executive Vice President
Canada Development Investment Corporation

AUDITORS' REPORT

TO THE MINISTER OF FINANCE

We have audited the consolidated balance sheet of Canada Development Investment Corporation as at December 31, 1993 and the consolidated statements of income (loss) and accumulated deficit and changes in financial position for the year then ended. These financial statements are the responsibility of the corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the corporation as at December 31, 1993 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles. As required by the *Financial Administration Act*, we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in our opinion, the transactions of the corporation and of its wholly-owned subsidiaries that have come to our notice during our audit of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Canada Business Corporations Act* and the articles and by-laws of the corporation and its wholly-owned subsidiaries.

L. Denis Desautels, FCA
Auditor General of Canada

Ottawa, Canada

KPMG Peat Marwick Thorne
Chartered Accountants

Toronto, Canada
March 4, 1994

CANADA DEVELOPMENT INVESTMENT CORPORATION—*Continued*

CONSOLIDATED BALANCE SHEET
DECEMBER 31, 1993
(with comparative figures for 1992)
(in thousands of dollars)

ASSETS	1993	1992
Current assets:		
Cash and short-term investments	25,655	24,258
Cash restricted as to use (Note 8(c))	10,000	10,000
Receivables	803	1,680
Shares of Cameco Corporation held for sale		98,400
	36,458	134,338
Investments:		
Non-consolidated subsidiaries, at cost (Note 4)	19,982	17,967
Other investments (Note 5)	124,572	124,572
	144,554	142,539
Deferred financing costs	398	944
Other assets	466	541
	181,876	278,362

LIABILITIES AND SHAREHOLDER'S EQUITY	1993	1992
Current liabilities:		
Short-term debt	161,726	34,328
Accounts payable and accrued liabilities	18,792	34,281
Notes payable to Atomic Energy of Canada Limited (Notes 4(c) and 8(c))	19,597	17,582
Long-term debt payable within one year (Note 6)	50,000	250,000
	250,115	336,191
Long-term debt (Note 6)	250,000	300,000
SHAREHOLDER'S EQUITY:		
Capital stock:		
Authorized—Unlimited number of common shares		
Issued and fully paid—101 common shares	1	1
Contributed surplus (Note 7)	294,890	214,890
Accumulated deficit	(613,130)	(572,720)
	(318,239)	(357,829)
Contingencies (Notes 2, 4(a) and 8)		
	181,876	278,362

The accompanying notes are an integral part of these consolidated financial statements.

On behalf of the Board:

PATRICK J. KEENAN
Director

DONALD MCQ SHAVER
Director

CANADA DEVELOPMENT INVESTMENT CORPORATION—*Continued*

CONSOLIDATED STATEMENT OF INCOME (LOSS) AND ACCUMULATED DEFICIT
YEAR ENDED DECEMBER 31, 1993
(with comparative figures for 1992)
(in thousands of dollars)

	1993	1992
Corporate operations:		
Interest earned on short-term investments	1,303	1,682
Dividend and other income	13,146	2,239
	14,449	3,921
Corporate and divestiture expenses	(4,100)	(4,148)
Recovery of divestiture expenses incurred in current and prior years		2,700
	(4,100)	(1,448)
Corporate income, net	10,349	2,473
Financial expense, net (Note 6)	(36,671)	(67,575)
	(26,322)	(65,102)
Net income of investee:		
Cameco Corporation (Note 5)		1,415
	(26,322)	(63,687)
Provision for losses and contingencies:		
Cameco Corporation (Note 5)		(8,996)
Canadair (Note 8(a))		5,500
Waste disposal costs (Note 8(b))	(6,412)	
Net loss	(32,734)	(67,183)
Accumulated deficit, beginning of year	(572,720)	(484,073)
Dividends (Note 2)	(7,676)	(21,464)
Accumulated deficit, end of year	(613,130)	(572,720)

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION
YEAR ENDED DECEMBER 31, 1993
(with comparative figures for 1992)
(in thousands of dollars)

	1993	1992
Operations:		
Cash provided by corporate operations (Note 9)	11,482	883
Dividends paid (Note 2)	(7,676)	(15,964)
	3,806	(15,081)
Financing:		
Net increase (decrease) in short-term debt	127,398	(164,974)
Issue of long-term debt		300,000
Repayment of long-term debt	(250,000)	(227,805)
Interest and financing expenses net of amortization of foreign exchange losses	(58,207)	(66,217)
Contributed surplus (Note 7)	80,000	75,000
	(100,809)	(83,996)
Investing:		
Proceeds from sale of Cameco shares	98,400	83,870
	98,400	83,870
Increase (decrease) in cash	1,397	(15,207)
Cash, beginning of year	24,258	39,465
Cash, end of year	25,655	24,258

For purposes of this statement, cash and increase (decrease) in cash includes cash and short-term investments and excludes cash transactions relating to cash restricted as to use.

The accompanying notes are an integral part of these consolidated financial statements.

CANADA DEVELOPMENT INVESTMENT CORPORATION—*Continued*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 1993
(All dollar amounts are stated in thousands)

1. The corporation:

Canada Development Investment Corporation ("the corporation") was incorporated on May 26, 1982 under the provisions of the *Canada Business Corporations Act* and is wholly-owned by Her Majesty in Right of Canada. The corporation is subject to the *Financial Administration Act* and is an agent of Her Majesty.

2. Activities of the corporation:

In a statement dated October 30, 1984, the Minister of the Government of Canada ("Government") responsible for the corporation announced the intention of the Government to cause the corporation to dispose of its investments in Massey-Ferguson Limited now Varity Corporation ("Varity") and Massey-Combines Corporation ("Massey-Combines"), Canadair Limited ("Canadair"), The de Havilland Aircraft of Canada, Limited ("de Havilland") and Canada Eldor Inc. ("CEI") in an orderly fashion. Disposals of the corporation's investments in de Havilland and Canadair were completed in 1986. The remaining investment in Massey-Combines was written off in 1988. During 1988, the operating assets of CEI were transferred to Cameco Corporation ("Cameco") in exchange for notes and 38.5% investment in Cameco. Through dilution and two secondary share sales, the company's investment in Cameco has been reduced to 9.6%. The proceeds of the secondary sales of shares were utilized to reduce CEI's debt. The only significant continuing activities of CEI are the monitoring of its 9.6% interest in Cameco and continuing the servicing of its debt.

The Government provides authorities and guarantees for the borrowing of CEI of $600,000 of which $461,726 is being utilized at December 31, 1993. To December 31, 1993 the Government of Canada assumed responsibility for payment of an aggregate of $155,000 of CEI's short-term promissory notes to ensure that CEI would not exceed its statutory borrowing authority through to December 31, 1994. On January 1, 1994 CEI's current borrowing authority was reduced to $500,000 and on January 1, 1995 CEI's borrowing authority will be further reduced to $400,000.

CEI's ability to pay its debts as they come due and its continued existence as a going concern will depend on its ability to obtain debt financing within the extent of its statutory borrowing limits, or future capital injections by the corporation or the Government. CEI's ability to generate future cash flows will depend primarily on future dividends received from and further dispositions of its investment in Cameco.

During 1988, the corporation acquired the following two subsidiaries from Atomic Energy of Canada Limited ("AECL"):

(a) Nordion International Inc. ("Nordion"); and

(b) Theratronics International Limited ("Theratronics").

In November, 1991 the corporation sold Nordion (see Note 8(c)).

Pursuant to a directive received from the Government, the corporation acquired during 1989, a 51% interest in Ginn Publishing Canada Inc. ("Ginn Publishing") from Paramount Communications (Canada) Limited ("Paramount"). In February, 1994 the corporation sold its interest in Ginn Publishing.

On March 19, 1993 Canada Hibernia Holding Corporation ("CHHC") acquired for no cost an 8.5% interest in the Hibernia Development Project and an 8.5% equity interest in the Hibernia Management and Development Company Ltd. ("HMDC"). CHHC is a wholly-owned subsidiary of the corporation whose sole purpose is the holding, management funding and ultimately, disposal of the 8.5% interest in Hibernia.

Pursuant to an agreement entered into in December, 1990 by the corporation, Varity, the Governments of Canada and Ontario, Varity agreed to pay the corporation $7,813 on November 1 in each of 1990 and 1993 and to maintain certain levels of employment in Canada through to May 1, 1993; the Governments agreed to terminate all prior agreements with Varity; and the corporation continues to have responsibility for monitoring Varity's compliance with the new employment requirements which have now been satisfied. The payment due on November 1, 1993 was discounted and $7,676 was paid to the corporation on March 30, 1993. These funds were then paid by way of a dividend to the Government of Canada.

During 1991, the corporation sold 450,000 common shares of Varity. It continues to hold 1,250,000 class II preferred shares of Varity.

The Board of Directors of the corporation is continuing to develop approaches to the divestiture of the corporation's remaining investments and to assist the Government of Canada in implementing its privatization policies.

3. Significant accounting policies:

(a) Basis of consolidation:

The financial statements of Cartierville Financial Corporation Inc. ("Cartierville Financial") and CEI, both wholly-owned subsidiaries, have been consolidated with those of the corporation.

(b) Investments in non-consolidated subsidiaries:

The corporation's investments in subsidiaries acquired with the intention that they be disposed of or privatized in the foreseeable future are considered to be temporary investments and are carried at the lower of cost and net realizable value. If no reliable estimate of net realizable value is available, the investment is carried at cost. The corporation's investments in Ginn and CHHC are considered to be temporary investments and are accounted for in accordance with this policy.

The corporation's investments in subsidiaries acquired with the intention that they be disposed of or privatized in the foreseeable future and for which the corporation will not benefit from the ultimate gains or losses on disposition are carried at the corporation's proportionate interest in the underlying net book value of the subsidiaries, offset by a liability reflecting the corporation's obligation to forward any proceeds of disposition to another entity. The corporation's investment in Theratronics is accounted for in accordance with this policy.

The financial statements of CHHC and Theratronics are attached.

(c) Other investments:

Effective January 1, 1993 the corporation's investment in Cameco is accounted for using the cost method. Under this method, any dividends received are recorded as revenue by the corporation.

For the period from October 5, 1988 to December 31, 1992, the corporation had the ability to exercise significant influence over Cameco; therefore, the investment in Cameco was accounted for using the equity method of accounting. Under the equity method, the net income (loss) recognized from the investment is the corporation's pro rata share of the investee's net income (loss). Any dividends received serve to reduce the carrying value of the investment.

CANADA DEVELOPMENT INVESTMENT CORPORATION—*Continued*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 1993—*Continued*

Any shares of Cameco which the corporation has authorized CEI to sell in the foreseeable future are considered to be temporary investments and are carried at the lower of carrying value and net realizable value.

The investment in Varity securities is carried at cost, less proceeds received on disposition.

(d) Amortization of deferred financing costs:

Debt discounts, premiums and issue expenses associated with long-term financing are deferred and amortized over the term of the debt.

4. Investment in non-consolidated subsidiaries:

The corporation's investments in subsidiaries are as follows:

	December 31, 1993	1992
CHHC (a)		
Ginn Publishing (b)	10,385	10,385
Theratronics (c)	9,597	7,582
	19,982	17,967

(a) CHHC:

CHHC was acquired with the intention that it be disposed of in the foreseeable future; accordingly, the corporation accounts for its investment in CHHC as a temporary investment and this investment is not consolidated into the results of the corporation.

On March 19, 1993 CHHC acquired for no cost an 8.5% working interest in the Hibernia Development Project ("Hibernia") and an 8.5% equity interest in the Hibernia Management and Development Company Ltd. ("HMDC"). CHHC's sole purpose is the holding, management, funding and ultimately, disposal of the 8.5% interest in Hibernia. Pursuant to a Memorandum of Understanding ("MOU") dated June 8, 1993 between the Government of Canada, the corporation and CHHC, the Government will seek aproval of Parliament to appropriate the funds necessary for CHHC to honour its obligations to fund the project costs of Hibernia. Approvals for appropriations have been received for 1993 and 1994. CHHC is dependent on appropriations from the Government of Canada to fulfill its obligations.

The MOU also provides that the corporation will provide administrative services to CHHC. The aggregate cost of these administrative services are reimbursable to the corporation on commencement of commercial operations from Hibernia production proceeds (if any such proceeds remain after payment of other production expenses and charges) or, if applicable, the proceeds from the sale of the working interest or the sale of the shares of CHHC in such manner as may be agreed upon by the corporation and the Minister of Finance.

Costs of the Hibernia Development Project to the production start-up are estimated at $5,200,000, before Government assistance. CHHC's 8.5% share is expected to be approximately $357,000. CHHC's expenditures incurred after March 23, 1993 do not qualify for Government contributions or Government guaranteed limited-recourse loans provided to the other owners of the project.

The Hibernia Project is in the development stage. Accordingly, CHHC has no operations until the production stage commences. Recovery of CHHC's capitalized costs relating to the Hibernia Project depends upon (i) the sale of the working interest for an amount in excess of the costs capitalized, or (ii) the successful completion of construction and achievement of commercial production of oil at prices sufficient to recover operating costs and capitalized costs.

(b) Investment in Ginn Publishing:

Pursuant to a directive received from the Government, during 1989 the corporation acquired a 51% interest in Ginn Publishing from Paramount, as a consequence of the Government's "Baie Comeau" policy which required that a majority of the voting shares of Canadian publishing companies were to be held by Canadians upon any change in control of the publishing company. During 1992, the Government rescinded the Baie Comeau policy and implemented a revised foreign investment policy in book publishing and distribution. As a result of this change in policy, the company sold its investment in Ginn back to Paramount in February, 1994 for carrying value.

(c) Theratronics:

The share purchase agreement between AECL and the corporation requires the corporation to pay to AECL the fair market value of the shares of Theratronics. The agreement also specifies that the fair market value will be estimated as at the date of transfer, but will subsequently be adjusted to an amount equal to the price ultimately received by the corporation in the subsequent privatization sale of Theratronics. Furthermore, the agreement specifies that the corporation is not required to make payment of the purchase price to AECL until 60 days after the privatization sale.

Accordingly, AECL will ultimately receive the full proceeds realized upon privatization of Theratronics, less the corporation's expenses associated with the privatization.

Thus, while the corporation has title to the shares of Theratronics and executive management control over its operations prior to its privatization, the corporation did not acquire the normal risks and benefits associated with share ownership. Accordingly, the corporation has recorded its investment in Theratronics at an amount equal to the net book value of Theratronics at December 31, 1993 and 1992, with an off-setting non-interest bearing note payable to AECL, and has not recognized any income or loss on this investment.

CANADA DEVELOPMENT INVESTMENT CORPORATION—*Continued*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 1993—*Continued*

5. Other investments:

	Carrying Value December 31 1993	1992
Cameco	107,397	107,397
Varity	17,175	17,175
	124,572	124,572

Investment in Cameco:

In 1992, CEI sold 5,990,724 of its common shares for gross proceeds of $87,465. Costs of the transaction were $3,595, resulting in net proceeds of $83,870 or $14.00 per share. CEI's carrying cost per share exceeded these net proceeds per share; accordingly, CEI incurred a loss of $46,953. This loss was reflected in the net loss for the year ended December 31, 1991.

In 1993, CEI sold 5,000,000 of its common shares for gross proceeds of $102,500 or $20.50 per share. Costs of the transaction were $4,100 resulting in net proceeds of $98,400 or $19.68 per share. CEI's carrying cost per share exceeded these net proceeds per share; accordingly, CEI incurred a loss of $8,996 which was reflected in the net loss for the year ended December 31, 1992.

As a result of these transactions, CEI now owns 5,000,000 shares representing 9.6% of the common shares of Cameco. As a result of the sale of 5,000,000 shares in 1993, CEI no longer possesses the ability to exercise significant influence over Cameco; accordingly, effective January 1, 1993 CEI's remaining investment in Cameco is accounted for on a cost basis.

CEI intends to dispose of its remaining shares over the next two years. The ultimate recovery of the carrying value of the shares will depend on the outcome of the future disposition of these shares.

As at December 31, 1993 the market value of the remaining Cameco shares was $142,500.

6. Long-term debt:

	As at December 31, 1993	1992
Notes due 1993, at 11.75%		250,000
Notes due 1994, at 5.75%	50,000	50,000
Notes due 1995, at 8%	100,000	100,000
Notes due 1995, at 6.25%	150,000	150,000
Sub-total	300,000	550,000
Less:		
Current portion of long-term debt listed above	50,000	250,000
Total	250,000	300,000

Long-term debt payments due in each of the next two calendar years, are: 1994—$50,000; 1995—$250,000.

Financial expense is composed of the following:

	Year ended December 31, 1993	1992
Interest income	(29)	(888)
Interest expense		
Long-term debt	27,284	58,205
Other	8,849	6,972
Amortization of deferred foreign exchange losses		1,598
Other finance charges	567	1,688
	36,671	67,575

7. Contributed surplus:

In December, 1992 the Government of Canada contributed capital to CEI of $75,000 by assuming responsibility for payment of certain of CEI's short-term promissory notes. In 1993, the Government of Canada assumed responsibility for payment of an additional $80,000 of short-term promissory notes of which $30,000 was assumed in March 1993 and $50,000 was assumed in December, 1993.

Appropriations received from the Government of Canada by CHHC to fund the costs of the Hibernia Project are credited to contributed surplus of CHHC, but are not credited to the corporation's contributed surplus account as it uses the cost method to account for its investment in CHHC.

8. Contingencies:

(a) On December 23, 1986 the corporation sold its investment in Canadair Limited to Bombardier-Canadair Inc. The corporation and the Government have agreed to indemnify Bombardier-Canadair Inc. and Canadair Limited for specified product related claims for fifteen years from December 23, 1986 for which insurance coverage is unavailable or economically impracticable to obtain. Reasonable estimates of the effects, if any, of such indemnities cannot be made at this time. Such amounts will be recognized in future years, as appropriate, when reasonable estimates can be made as to the likely amount, if any, which will ultimately be paid pursuant to the indemnities.
A provision of $5,500 relating to certain other Canadair indemnities which expired in 1991 was reversed in 1992 and the related funds held in the Consolidated Revenue Fund were paid by way of a dividend to the Government.

(b) Under the terms of the agreement between CEI and Cameco, CEI and Cameco agreed on a formula for sharing any future joint costs, excluding normal operating costs, related to certain specified existing wastes accumulated by CEI to October 5, 1988, the date of transfer of CEI's operations and assets to Cameco. Cameco assumed liability for the first $2,000 of joint costs. The next $98,000 in joint costs will be shared 23/98ths by Cameco, 75/98ths by CEI. CEI assumed liability for joint costs in excess of $100,000. To December 31, 1993 the total joint costs had not exceeded $2,000.

CANADA DEVELOPMENT INVESTMENT CORPORATION—*Continued*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 1993—*Concluded*

Alternatives for the economic disposal for existing wastes continue to be pursued by Cameco. The majority of the joint costs under the indemnity provisions of the agreement relate to existing waste material located in two sites which are closed and have not accepted further wastes since October 5, 1988. The ultimate magnitude of the joint costs is largely dependent on the findings of the Federal Siting Task Force, remediation standards that will be set by the Atomic Energy Control Board and the technologies that may be available to meet these standards at the time they are determined.

CEI accrues for its share of the joint costs on an annual basis, based on reliable estimates provided by Cameco. As at December 31, 1993 Cameco estimates joint costs to be $10,400 of which CEI's share is $6,412. Accordingly, this amount has been accrued in these financial statements as the amount of the liability to CEI that is subject to reasonable estimation at this time. It is likely that CEI will incur further liability for joint costs to be incurred in the future; however, the ultimate magnitude of this liability is not reasonably estimable at this time.

(c) In November, 1991 the corporation sold its investment in Nordion for proceeds of $165,000. The proceeds, net of the corporation's expenses associated with the privatization and an amount of $25,000 held back and deposited in the Consolidated Revenue Fund on a non-interest bearing basis to satisfy indemnity claims relating to the sale, was paid to AECL.

As part of the purchase and sale agreement, the corporation indemnified the purchaser for general and specific representations contained in the agreement of purchase and sale to the maximum of $25,000. The general indemnity is subject to a deductible of $1,000 and an aggregate limit of $10,000 and expires two years after the date of the sale. The $10,000 continues to be held in the Consolidated Revenue Fund and is shown as "Cash Restricted as to use" in these financial statements.

The conditions of the special indemnity were met in February, 1992 and $15,000 of the amount held back has been withdrawn from the CRF and paid to AECL. Any balance remaining of the $10,000 withheld to cover the general indemnity, net of claims, will be paid to AECL on expiry of the indemnity period and settlement of any outstanding claims.

In October, 1993 MDS Health Group Limited et al filed a statement of claim against Attorney General of Canada, Canada Development Investment Corporation and Atomic Energy of Canada Limited seeking a declaration that AECL has an obligation to complete the construction and commissioning of a new isotope reactor. Alternate relief claimed in the action includes the rescinding of the original purchase, damages of $300,000, pre and post judgment interest and costs.

Due to the early stages of this claim, the corporation is not in a position to estimate the ultimate outcome and the loss, if any, that the corporation may suffer.

(d) The corporation is the defendant in certain other litigation. While the amount of any ultimate liability cannot yet be determined, the corporation, after discussion with legal counsel, is of the opinion that there will be no material adverse effect on its financial position.

9. Cash provided by corporate operations:

	1993	1992
Corporate income, net	10,349	2,473
Decrease (increase) in accounts receivable	936	(144)
Increase (decrease) in accrued liabilities	181	(1,486)
Net decrease in corporate fixed assets	16	40
Cash provided by corporate operations	11,482	883

CANADA DEVELOPMENT INVESTMENT CORPORATION—*Continued*

APPENDIX 1

CANADA HIBERNIA HOLDING CORPORATION

AUDITOR'S REPORT

TO THE SHAREHOLDER OF CANADA HIBERNIA HOLDING CORPORATION

We have audited the balance sheet of Canada Hibernia Holding Corporation as at December 31, 1993 and the statements of operations and deficit and changes in financial position for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 1993 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Further, in our opinion, the transactions of the Corporation that have come to our notice during our audit of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Canada Business Corporations Act* and the articles and by-laws of the Corporation.

KPMG Peat Marwick Thorne
Chartered Accountants

Toronto, Canada
March 4, 1994

BALANCE SHEET DECEMBER 31, 1993
(in thousands of dollars)

ASSETS	1993
Investment in Hibernia Development Project and Hibernia Management and Development Company Ltd.	80,348
	80,348

LIABILITIES AND SHAREHOLDER'S EQUITY	1993
Current liabilities:	
Accrued liabilities	11,041
Total current liabilities	11,041
SHAREHOLDER'S EQUITY:	
Capital stock:	
Authorized—Unlimited number of common shares	
Issued and fully paid— 1 common share	
Contributed surplus	69,426
Deficit	(119)
Total shareholder's equity	69,307
Commitments and contingencies (Note 3)	
	80,348

See accompanying notes to financial statements.

Approved by the Board:

T P WOOD
Director

W D McKEOUGH
Director

CANADA DEVELOPMENT INVESTMENT CORPORATION—*Continued*

APPENDIX 1—*Continued*

CANADA HIBERNIA HOLDING CORPORATION—*Continued*

STATEMENT OF OPERATIONS AND DEFICIT
YEAR ENDED DECEMBER 31, 1993
(in thousands of dollars)

	1993
Expenses:	
Capital and large corporation tax	119
Net loss for the year	119
Deficit, beginning of year	
Deficit, end of year	119

See accompanying notes to financial statements.

STATEMENT OF CHANGES IN FINANCIAL POSITION
YEAR ENDED DECEMBER 31, 1993
(in thousands of dollars)

	1993
Operations activities:	
Loss for the year	(119)
Increase (decrease) in accrued liabilities	119
Cash provided by operating activities	
Investing activities:	
Investment in Hibernia Development Project	(69,426)
	(69,426)
Contributed capital:	
Parliamentary appropriations from Canada	69,426
	69,426
Increase (decrease) in cash	
Cash and short-term investments, beginning of year	
Cash and short-term investments, end of year	

See accompanying notes to financial statements.

CANADA DEVELOPMENT INVESTMENT CORPORATION—*Continued*

APPENDIX 1—*Concluded*

CANADA HIBERNIA HOLDING CORPORATION—*Concluded*

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1993
(All dollar amounts are stated in thousands)

1. Canada Hibernia Holding Corporation:

Canada Hibernia Holding Corporation (the "company" or "CHHC") (formerly 2875055 Canada Inc.) was incorporated under the provisions of the *Canada Business Corporations Act* on December 4, 1992. On March 22, 1993 the company was acquired by Canada Development Investment Corporation ("CDIC"). Prior to March 22, 1993 the company was inactive. The company is subject to the *Financial Administration Act*.

On March 19, 1993, the company acquired for no cost an 8.5% working interest in the Hibernia Development Project ("Hibernia") and an 8.5% equity interest in the Hibernia Management and Development Company Ltd. ("HMDC"). CHHC's sole purpose is the holding, management, funding and ultimately, disposal of the 8.5% interest in Hibernia. Pursuant to a Memorandum of Understanding ("MOU") dated June 8, 1993 between the Government of Canada, CDIC and CHHC, the government will seek approval of Parliament to appropriate the funds necessary for CHHC to honour its obligations to fund the project costs of Hibernia. Approvals for appropriations have been received for 1993 and 1994. CHHC is dependent on appropriations from the Government of Canada to fulfill its obligations.

The MOU also requires CDIC to provide administrative services to CHHC. The aggregate cost of these administrative services are reimbursable to CDIC on commencement of commercial operations from Hibernia production proceeds (if any such proceeds remain after payment of other production expenses and charges), or if applicable, the proceeds from the sale of the working interest or the sale of the shares of the company in such manner as may be agreed upon by CDIC and the Minister of Finance.

HMDC is a company formed to act as agent for the participants in the Hibernia Development Project. All project expenditures are charged to the Joint Account which is owned by the participants in proportion to their working interest. The Joint Account is funded directly by the participants and by Federal and Provincial Government Contributions.

The Hibernia Project is in the development stage. Accordingly, CHHC has no operations until the production stage commences. Recovery of CHHC's capitalized costs relating to the Hibernia Project depends upon (i) the sale of the working interest for an amount in excess of the costs capitalized, or (ii) the successful completion and achievement of commercial production of oil at prices sufficient to recover operating costs and capitalized costs.

2. Significant accounting policies:

(a) Investment in the Hibernia Development Project and Hibernia Management and Development Company Ltd:

Investment in the Hibernia Management and Development Company Ltd. ("HMDC") is accounted for on the cost method.

Development costs charged to the Joint Account subsequent to the date of acquisition of the working interest are capitalized. Development costs include costs of engineering, construction and installation of production facilities comprised of a Gravity Based Structure and Topside facilities. All of the company's development activities are conducted jointly with others.

(b) Contributed surplus:

Appropriations received from the Government of Canada to fund the costs of the Hibernia Project are credit to contributed surplus.

(c) Administrative cost:

The cost incurred by CDIC in connection with the administration of the company have not been accrued as a liability or charged as an expense in these financial statements because the method of reimbursement of CDIC for these costs is contingent on certain future events which are uncertain.

3. Commitment and Contingencies:

During 1993, the company acquired an 8.5% interest in the Hibernia Development Project. The company's obligations, in connection with the acquisition, relate only to project costs incurred after January 20, 1993. Costs of the development project to the production start-up are estimated at $5,200,000, before government assistance. The company's 8.5% share is expected to be approximately $357,000. The company's expenditures incurred after March 23, 1993 do not qualify for government contributions or government guaranteed limited-recourse loans provided to the other owners of the project.

The company became a participant in the Hibernia Development Project effective from the day of the first billion dollars of charges to the owners Joint Account. The determination of the first billion dollars of charges to the Joint Account and required owner contributions involves interpretations for the treatment of charges, credits and government contributions under the Hibernia Owner Agreements. Matters of interpretation have yet to be resolved between Gulf Canada Resources Limited and the remaining project owners. The outcome of these matters are presently not determinable and thus, the potential impact on the company's required contributions to the project is presently not determinable.

CANADA DEVELOPMENT INVESTMENT CORPORATION—*Continued*

APPENDIX 2

THERATRONICS INTERNATIONAL LIMITED

AUDITORS' REPORT TO THE SHAREHOLDER

We have audited the balance sheet of Theratronics International Limited as at December 31, 1993 and the statements of earnings, retained earnings and changes in financial position for the year then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the company as at December 31, 1993 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles. As required by the *Financial Administration Act*, we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

We further report that, in our opinion, the transactions of the company that have come to our notice in the course of our examination of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the charter and by-laws of the company and any directives given to the company.

KPMG Peat Marwick Thorpe
Chartered Accountants

Ottawa, Canada
February 14, 1994

(except as to note 7, which is as of February 28, 1994)

BALANCE SHEET AS AT DECEMBER 31, 1993
(with comparative figures for 1992)
(in thousands of dollars)

ASSETS	1993	1992
Current assets:		
Cash	3,016	2,341
Accounts receivable	10,194	5,228
Inventories (Note 2)	10,135	12,905
Prepaid expenses	226	273
	23,571	20,747
Capital assets (Note 3)	2,208	2,160
In-reactor cobalt inventory	1,188	1,279
Note receivable	62	60
	27,029	24,246

LIABILITIES AND SHAREHOLDER'S EQUITY	1993	1992
Current liabilities:		
Accounts payable and accrued liabilities	12,100	11,277
Deferred revenue	3,767	3,591
	15,867	14,868
Long-term liabilities (Note 4)	1,565	1,796
SHAREHOLDER'S EQUITY		
Share capital (Note 5)	9,588	9,588
Retained earnings (deficit)	9	(2,006)
	9,597	7,582
Commitments (Note 11)		
	27,029	24,246

See accompanying notes to financial statements.

On behalf of the Board

WARD C. PITFIELD
Director

H.M.F. WARLAND
Director

CANADA DEVELOPMENT INVESTMENT CORPORATION—*Continued*

APPENDIX 2—*Continued*

THERATRONICS INTERNATIONAL LIMITED—*Continued*

STATEMENT OF EARNINGS
YEAR ENDED DECEMBER 31, 1993
(with comparative figures for 1992)
(in thousands of dollars)

	1993	1992
Sales	51,315	39,925
Cost of goods sold	36,983	28,648
	14,332	11,277
Operating expenses:		
Marketing	3,370	4,022
Administration	4,895	3,952
Research and development	3,019	2,871
Product support	1,196	798
	12,480	11,643
Operating income (loss)	1,852	(366)
Cobalt insurance claim settlement (Note 6)	692	
Write-off of long-term investments		(1,871)
Regulatory related and other costs (Note 7)	(529)	(3,462)
	163	(5,333)
Net earnings (loss) (Note 8)	2,015	(5,699)

See accompanying notes to financial statements.

STATEMENT OF RETAINED EARNINGS
YEAR ENDED DECEMBER 31, 1993
(with comparative figures for 1992)
(in thousands of dollars)

	1993	1992
Retained earnings (deficit), beginning of year	(2,006)	3,693
Net earnings (loss)	2,015	(5,699)
Retained earnings (deficit), end of year	9	(2,006)

See accompanying notes to financial statements.

STATEMENT OF CHANGES IN FINANCIAL POSITION
YEAR ENDED DECEMBER 31, 1993
(with comparative figures for 1992)
(in thousands of dollars)

	1993	1992
Cash provided by (used in):		
Operations:		
Net earnings (loss)	2,015	(5,699)
Depreciation	676	778
	2,691	(4,921)
Change in non-cash operating working capital (Note 9)	(1,292)	2,344
	1,399	(2,577)
Investments:		
Acquisition of equipment	(724)	(311)
Write-off of investments		1,871
	(724)	1,560
Increase (decrease) in cash	675	(1,017)
Cash, beginning of year	2,341	3,358
Cash, end of year	3,016	2,341

See accompanying notes to financial statements.

CANADA DEVELOPMENT INVESTMENT CORPORATION—*Continued*

APPENDIX 2—*Continued*

THERATRONICS INTERNATIONAL LIMITED—*Continued*

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 1993
(in thousands of dollars)

Theratronics International Limited ("Theratronics") is incorporated under the *Canada Business Corporations Act* and is subject to the *Financial Administration Act*. The primary business of Theratronics is the manufacture, sales and service of radiotherapy and related equipment and services to hospitals and medical institutions around the world.

Theratronics was incorporated initially as a wholly-owned subsidiary of Atomic Energy of Canada ("AECL"). The Minister of State for Privatization has announced the government's intention to sell the Company to the private sector. Assets and liabilities were transferred from AECL to the Company in exchange for 10,000 common shares. Since the transaction occured between companies under common control, a value or $9,588 was assigned to capital stock for accounting purposes representing the net book value of the assets and liabilities tranferred. The effective date of these transactions was July 1, 1988. As of September 30, 1988, all of the outstanding common shares were sold to Canada Development Investment Corporation ("CDIC"). No assessment of the potential impact of privatization has been made or reflected in the financial statements.

1. Significant accounting policies:

(a) Capital assets:

Capital assets are initially recorded at cost and depreciated on a straight-line basis over the estimated useful life of the underlying assets, as follows:

Asset	Basis
Site service	5 to 15 years
Buildings	20 years
Machinery and equipment	3 to 10 years

(b) Inventories:

Work-in-process and finished goods inventories are valued at the lower of cost and estimated net realizable value. Raw materials, service inventory, and cobalt 60 are valued at the lower of cost and replacement cost. Cost is primarily determined on a standard cost basis and includes material, labour and manufacturing overhead where applicable.

(c) In-reactor cobalt inventory:

In-reactor cobalt inventory represents primarily payments for irradiation services performed by AECL to produce cobalt 60. The amounts classified as long term will not be consumed within the next fiscal year.

(d) Pension plan:

Employees are covered by the Public Service Superannuation Plan administered by the Government of Canada. The Company's contributions to the plan are limited to matching the employees' contributions on account of current service. These payments are charged to income on a current basis and represent the total pension obligations of the Company.

(e) Employee termination benefits:

Employees are entitled to specific termination benefits defined under collective agreements and conditions of employment. The charge to income and the liability are recognized in the accounts in the year the benefits become vested.

(f) Warranty provision:

A provision is recorded for estimated warranty costs at the time of product sale.

(g) Revenue recognition:

Revenue from the sale of radiotherapy units and related equipment is recognized upon transfer of ownership. Revenue from field services is recognized at the time services are rendered. Revenue from service contracts is recognized on a straight-line basis over the term of the contract.

2. Inventories:

	1993	1992
Service inventory	3,505	2,930
Cobalt 60	2,223	2,046
Manufacturing:		
Finished goods	1,486	2,729
Raw materials	1,446	1,782
Work-in-process	1,475	3,418
	10,135	12,905

3. Capital assets:

	Cost	Accumulated depreciation	Net book value 1993	Net book value 1992
Land	69		69	69
Site service	1,081	402	679	214
Buildings	3,474	3,174	300	328
Machinery and equipment	6,763	5,603	1,160	1,549
	11,387	9,179	2,208	2,160

4. Long-term liabilities:

	1993	1992
Accrued parts replacement		610
Employee termination benefits	1,251	1,186
Deferred revenue	314	
	1,565	1,796

CANADA DEVELOPMENT INVESTMENT CORPORATION—*Continued*

APPENDIX 2—*Continued*

THERATRONICS INTERNATIONAL LIMITED—*Continued*

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 1993—*Continued*

5. Share capital:

The authorized share capital of the company consists of an unlimited number of no par value common shares with issued and outstanding shares totalling 10,000.

6. Cobalt insurance claim settlement:

The company made a claim for business interruption losses relating to the shutdown in 1991 of AECL's NRU reactor in Chalk River. The claim was made to recover lost profits and additional costs that resulted from the shutdown. The net settlement amount of $814 has been recorded as $692 of income on the statement of earnings and $122 as a reduction of in-reactor cobalt inventory.

7. Regulatory related and other costs:

During 1993, the Company successfully met the United States Food and Drug Administration (FDA) standards of a "good manufacturing practices review" resulting in a revision to the existing "import alert" which has allowed the Company to ship THERATRON 1000 and 780 Cobalt 60 Therapy Systems into the United States. The remaining task of software revalidation and testing of the balance of the Company's products has been completed in 1993. The Company was inspected by the FDA in February 1994 and as a result has applied for the lifting of the remaining import alert.

Costs of $529 were spent and provided for in 1993 (1992—$3,462) in preparation for the 1993 and 1994 inspections and other related activities. At December 31, 1993, $967 (1992—$965) is included in accounts payable and accrued liabilities. For 1992, $610 was included in long-term liabilities, as reflected in note 4.

8. Income taxes:

As a wholly-owned subsidiary of a Federal Crown Corporation, the Company is not subject to provincial income taxes.

The Company's expected income tax rate is the net Federal statutory rate (including surtax) of 28.84% less the applicable manufacturing and processing deduction of 6.0%. The 1993 effective tax rate is zero due to the utilization of previously unrecognized losses.

The Company has income tax losses of $1,698 (1992—$3,077) available to reduce taxes payable up to 1999. In addition, the Company has differences between the tax and accounting values of its assets for which future deductions are available in the amount of $11,463 (1992—$12,008). Of this amount, $4,906 (1992—$5,407) relate to the assets of the Company at the date it became subject to income taxes.

The Company is currently involved in a dispute with Revenue Canada in respect of the deductibility of certain amounts. If unsuccessful in the defence of this dispute the future deductions would be decreased by approximately $1,211.

9. Operating working capital:

The changes in non-cash operating working capital are comprised of:

	1993	1992
Accounts receivable	(4,966)	2,772
Inventories	2,861	(3,044)
Prepaid expenses	47	(70)
Accounts payable and accrued liabilities	823	2,765
Deferred revenue	176	650
Long-term liabilities	(231)	(729)
Note receivable	(2)	
	(1,292)	2,344

10. Related party transactions:

(a) AECL provides the Company with cobalt 60. Total purchases of cobalt 60 in the year were $1,838 (1992—$1,888). At December 31, 1993, $286 of these purchases were included in accounts payable (1992—$556).

(b) The company holds 48% of the outstanding common shares and 100% of the preferred shares of Medical High Technology Inc. ("MHTI") located in Clearwater, Florida.

Total purchases from MHTI in 1993 were $2,750 (1992—$2,671). Total sales to MHTI in 1993 were $703 (1992—0). At December 31, 1993, $141 of these sales were included in accounts receivable.

11. Commitments:

(a) Minimum lease payments in accordance with lease commitments are as follows:

1994	282
1995	88
1996	78
1997	78
Subsequent	84
	610

(b) The Company has a commitment, estimated at $21,848 to purchase cobalt 60 from AECL produced at its Chalk River nuclear laboratory to the year 2008.

CANADA DEVELOPMENT INVESTMENT CORPORATION—*Concluded*

APPENDIX 2—*Concluded*

THERATRONICS INTERNATIONAL LIMITED—*Concluded*

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 1993—*Concluded*

12. Sales agents' remuneration:

During the year ended December 31, 1993 the Company paid sales commissions totalling $1,707 to the following agents: Medtel Pty. Limited, Australia; Equipo Para Hospitales SA, Mexico; Kamol Sukosol Electric Co. Ltd., Thailand; Radiotherapy Medical Systems PTY Ltd., Australia; General Machinery Co. Ltda., Chile; Bureautique Communications Organization Ltd., Channel Islands; Meditel Medikal Elektronik Ltd., Turkey; Baron Technologies Inc., Korea; Philips Medizin Systeme GMBH, West Germany; M.L. Sethi, India; Technica Ltd., Cyprus; HEK Medical Systems, West Germany; Birla Medical Technologies, India; Meditron S.A. De C.V., El Salvador; LHS Communications Ltd., Jamaica; Dynamotors Ltd., Mauritius; Tareq Company, Kuwait; Nairobi X-Ray Supplies Ltd., Kenya; Cometec Materiel Medical, Congo; Hamco Commercial SRL, Peru; Radcons PTY Limited, Australia; TEC RAD, Brazil; NCA Electromedicina, Spain; Al Mazroui Medical & Chemical Suppliers, United Arab Emirates; Alkan Establishment, Egypt; General Electronica Genelectric C.I.A. Ltda., Ecuador; Globex Marketing Company Ltd., Bangladesh; Philips Electrical Lamp Inc., Philippines; Pemsa, Bolivia; Rimpex S.A.R.L., Tunisia; Gemed Sistemas Medicos CA, Venezuela; ETS F.A. Kettaneh S.A., Lebanon; Promed SA, Panama.

CANADA LANDS COMPANY LIMITED

AUDITOR'S REPORT

TO THE MINISTER DESIGNATE OF PUBLIC WORKS AND GOVERNMENT SERVICES

I have audited the balance sheet of Canada Lands Company Limited for the year ended March 31, 1994. This financial statement is the responsibility of the corporation's management. My responsibility is to express an opinion on this financial statement based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, this balance sheet presents fairly, in all material respects, the financial position of the corporation as at March 31, 1994 in accordance with generally accepted accounting principles. As required by the *Financial Administration Act*, I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the corporation that have come to my notice during my audit of the financial statement have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Canada Business Corporation Act* and the articles and by-laws of the corporation.

D. Larry Meyers, FCA
Deputy Auditor General
for the Auditor General of Canada

Ottawa, Canada
May 26, 1994

BALANCE SHEET AS AT MARCH 31, 1994

ASSETS	1994	1993	SHAREHOLDER'S EQUITY	1994	1993
	$	$		$	$
Investments (Notes 2(a), 2(b) and 5)			Capital stock (Note 2(c))		

Approved by the Board:

R.A. QUAIL
President

CANADA LANDS COMPANY LIMITED—*Continued*

NOTES TO FINANCIAL STATEMENT
MARCH 31, 1994

1. Authority and activities

The Canada Lands Company Limited, an agent Crown corporation, originally named Public Works Lands Company Limited, was incorporated under the *Companies Act* in 1956 and was continued under the *Canadian Business Corporations Act.* It was added to Schedule C to the *Financial Administration Act* in 1979 and listed as a parent Crown corporation in 1984 in Part I of Schedule III to the *Financial Administration Act.*

The corporation has, by virtue of its letters patent of incorporation, the power to acquire, purchase, lease, hold, improve, manage, exchange, sell, turn to account or otherwise deal in or dispose of real or personal property or any interest therein. However, it has been used only to hold, in trust for Federal government departments, certain leasehold interests in two properties in London, England, and two properties on Indian reserves in Canada. Funding for these leases is borne by the departments.

2. Significant accounting policies

(a) Investments in subsidiaries

The corporation wholly owns the following three subsidiary corporations:

Canada Lands Company (Vieux-Port de Québec) Inc.
Canada Museums Construction Corporation Inc.
Old Port of Montreal Corporation Inc.

The shares have been acquired in consideration of services rendered.

(b) Exclusion of subsidiaries from consolidation

The financial statements of the subsidiaries are excluded from consolidation because the corporation does not have the right and ability to obtain future economic benefits from the resources of the subsidiaries and is not exposed to the related risks.

(c) Capital stock

The corporation is authorized to issue three shares which shall not be transferred to any person other than a person approved by the Minister of Public Works and Government Services. The authorized shares have been issued in consideration of services rendered and are held in trust for Her Majesty in right of Canada by the Minister of Public Works and Government Services.

(d) Services without charge

The corporation does not record the value of services it receives from the Department of Public Works and Government Services, which include executive and administrative functions as are required for its operations.

3. Financial statement presentation

The corporation has not been involved in any financial transactions. As a result, the balance sheet has nil balances and no other financial statement is presented.

4. Related party transactions

In addition to the related party transactions disclosed elsewhere in these financial statements, the corporation is related in terms of common ownership to all Government of Canada created departments, agencies and Crown corporations. The corporation enters into transactions with these entities in the normal course of business.

5. Information on a wholly-owned subsidiary

Canada Lands Company (Vieux-Port de Québec) Inc. ceased operations effective March 31, 1988. However, a decision has yet to be taken with respect to the formal dissolution of the corporation pending the resolution of certain legal matters. The Department of Justice has stated that the resolution of these legal matters may take several years.

CANADA LANDS COMPANY LIMITED—*Continued*

APPENDIX 1

CANADA LANDS COMPANY (VIEUX-PORT DE QUÉBEC) INC.

AUDITOR'S REPORT

TO THE MINISTER DESIGNATE OF PUBLIC WORKS
AND GOVERNMENT SERVICES

I have audited the balance sheet of Canada Lands Company (Vieux-Port de Québec) inc. as at March 31, 1994. This financial statement is the responsibility of the corporation's management. My responsibility is to express an opinion on this financial statement based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, this balance sheet presents fairly, in all material respects, the financial position of the corporation as at March 31, 1994 in accordance with generally accepted accounting principles. As required by the *Financial Administration Act*, I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the corporation that have come to my notice during my audit of the balance sheet have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Canada Business Corporations Act* and the articles and by-laws of the corporation.

Raymond Dubois, FCA
Deputy Auditor General
for the Auditor General of Canada

Ottawa, Canada
June 20, 1994

BALANCE SHEET AS AT MARCH 31, 1994

ASSETS	1994	1993
	$	$
Cash	3	8,815
Short-term investment, at cost	9,027	
Accounts receivable (Note 2)	484,865	484,865
	493,895	493,680

LIABILITIES	1994	1993
	$	$
Account payable	1,750	1,750
Due to Minister of Public Works and Government Services (Note 3)	8,200	7,985
Due to Receiver General for Canada	280,535	280,535
	290,485	290,270
SHAREHOLDER'S EQUITY		
Capital stock (Note 4)		
Contributed surplus	178,250	178,250
Retained earnings	25,160	25,160
	493,895	493,680

Approved by the Board:

LOUISE SAINT-LAURENT
Director

CANADA LANDS COMPANY LIMITED—*Continued*

APPENDIX 1—*Concluded*

CANADA LANDS COMPANY (VIEUX-PORT DE QUÉBEC) INC.—*Concluded*

NOTES TO THE BALANCE SHEET
AS AT MARCH 31, 1994

1. Authority and activities

Canada Lands Company (Vieux-Port de Québec) inc. was incorporated on April 9, 1981 under the *Canada Business Corporations Act* and is a wholly-owned subsidiary of Canada Lands Company Limited, a Crown corporation named in Part I of Schedule III to the *Financial Administration Act*.

Effective August 1, 1981, pursuant to an agreement between the Corporation and Her Majesty in Right of Canada represented by the Minister of Public Works and Government Services, the Corporation has been responsible for the implementation of a general development plan for the lands of the Vieux-Port de Québec under its jurisdiction and for administering, managing, promoting and operating such lands and their developments. The Corporation fulfilled this responsibility in the name and for the account of the Minister of Public Works and Government Services who continues to hold title to the capital assets for the benefit of Her Majesty.

On May 26, 1988, by order of the Governor General in Council, the Minister of Public Works and Government Services was authorized to terminate the said agreement. Since April 1st, 1988, the management of the Corporation's affairs has been assumed by the Department of Public Works and Government Services.

From February 9, 1984 to February 27, 1986, the Corporation was responsible for its own account for the management, charge and direction of a parcel of land together with the improvements thereon which had been transferred to it, subject to certain limiting conditions, by order of the Governor General in Council on February 9, 1984. This property was retroceded on February 27, 1986.

2. Accounts receivable

The accounts receivable include the following amounts:

	$
Public services organization	466,430
Other	18,435
	484,865

The amount receivable from the public services organization is for specific work carried out by the Corporation during the year 1982-83. The related cost is recoverable upon the signing of a protocol by the Corporation, the Canada Ports Corporation and the organization. The protocol, not yet signed, provides for the transfer of certain privileges from the Corporation and the Canada Ports Corporation. The Corporation has not yet decided to transfer the privileges requested by the organization. It is possible that the Corporation may not recover the related cost.

3. Due to Minister of Public Works and Government Services

	1994	1993
	$	$
Balance at beginning of the year	7,985	7,985
Interest from short-term investment	215	
Balance at end of the year	8,200	7,985

4. Capital stock

The Corporation is authorized to issue a single share, to be held in trust for Her Majesty in Right of Canada and which may not be transferred without the consent of the Governor General in Council. The authorized share has been issued in consideration of services rendered.

5. Contingencies

The Corporation and the corporation Québec 1534-1984 signed a protocol of general understanding determining the rights and obligations of each party for the staging in 1984 of a festive event and for the use of the site and of the equipment under the jurisdiction of the Corporation. Under the terms of the agreement, the Corporation had not granted the right to use the totality of the site, reserving for itself some premises that it might rent for commercial purposes. Leases were signed but, because of poor attendance, several were modified, cancelled or abandoned. The Corporation has received claims arising from these leases and from other activities. These claims totalled approximately $1.2 million as at March 31, 1994 ($1.2 million as at March 31, 1993). The Department of Public Works and Government Services assumes the settlement of these claims.

CANADA LANDS COMPANY LIMITED—*Continued*

APPENDIX 2

CANADA MUSEUMS CONSTRUCTION CORPORATION INC.

MANAGEMENT RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements of the Canada Museums Construction Corporation Inc. are the responsibility of management and have been approved by members of the Board of Directors of the Corporation. The financial statements have been prepared by management in accordance with generally accepted accounting principles and, where appropriate, include amounts based on management's estimates and judgement. Management is also responsible for all other information in the annual report and for ensuring that this information is consistent, where appropriate, with the information and data contained in the financial statements.

Management has developed and maintains books of account, records, financial and management controls and information systems. The internal controls are designed to provide reasonable assurance that relevant and reliable financial information is produced, that assets are safeguarded and controlled and that transactions are in accordance with Part X of the *Financial Administration Act* and regulations, the *Canada Business Corporations Act* and the articles and by-laws of the Corporation.

The Board of Directors is composed of three directors, all of whom are not employees of the Corporation. The Board of Directors has the responsibility to review and approve the financial statements, as well as overseeing management's performance of its financial reporting responsibilities. The Board is also responsible for meeting with management and external auditors to discuss the financial reporting process as well as auditing, accounting and reporting issues.

The independent auditor, the Auditor General of Canada, is responsible for auditing the transactions and the financial statements and for issuing his report thereon.

R.A. Quail
Chairman and Chief Executive Officer

R. Plourde
Treasurer and Comptroller

AUDITOR'S REPORT

TO THE MINISTER DESIGNATE OF PUBLIC WORKS AND GOVERNMENT SERVICES

I have audited the balance sheet of Canada Museums Construction Corporation Inc. as at March 31, 1994 and the statement of changes in financial position for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 1994 and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles. As required by the *Financial Administration Act*, I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Corporation that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Canada Business Corporations Act* and the articles and by-laws of the Corporation.

D. Larry Meyers, FCA
Deputy Auditor General
for the Auditor General of Canada

Ottawa, Canada
June 1, 1994

BALANCE SHEET AS AT MARCH 31, 1994
(in thousands of dollars)

ASSETS	1994	1993
Cash and investments	1,486	2,447
Accounts receivable		
Government entities (Note 7)	132	170
Others	1	17
Construction in progress (Schedule)		
	1,619	2,634

LIABILITIES	1994	1993
Accounts payable and accrued liabilities	947	2,290
Contractors' holdbacks payable	596	673
	1,543	2,963
EQUITY OF CANADA (DEFICIENCY)		
Capital stock (Note 3)		
Equity (Deficiency) (Note 4)	76	(329)
	1,619	2,634

Contingencies and claims (Note 6).

Approved by the Board:

R.A. QUAIL
Chairman and Chief Executive Officer

B.J. VEINOT
Director

CANADA LANDS COMPANY LIMITED—*Continued*

APPENDIX 2—*Continued*

CANADA MUSEUMS CONSTRUCTION CORPORATION INC.—*Continued*

STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED MARCH 31, 1994
(in thousands of dollars)

	1994	1993
Operating activities		
Construction during the year (Schedule)	405	(616)
Changes in non-cash assets and liabilities		
Accounts receivable—Government entities and others	54	1,735
Accounts payable and accrued liabilities	(1,343)	267
Contractors' holdbacks payable	(77)	(86)
Cash provided by (used in) operating activities	(961)	1,300
Increase (decrease) in cash	(961)	1,300
Cash and investments at beginning of year	2,447	1,147
Cash and investments at end of year	1,486	2,447

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1994

1. Authority and activities

The Corporation was incorporated on June 21, 1982 under the *Canada Business Corporations Act* as an agent of Her Majesty pursuant to the *Government Companies Operations Act*, and was named as a parent Crown corporation in Part I of Schedule III to the *Financial Administration Act*. Until November 26, 1991, two-thirds of the capital stock was held by the Canada Lands Company Limited, also a parent Crown corporation, and one-third by the Minister of Public Works, the responsible Minister with whom the control of the Corporation lies.

On November 26, 1991, Royal assent was given to Bill C-8 making Canada Museums Construction Corporation Inc. a wholly-owned subsidiary of Canada Lands Company Limited. Accordingly, the share previously held by the Minister of Public Works was transferred to Canada Lands Company Limited and the Corporation has been deleted from Part I of Schedule III to the *Financial Administration Act*.

The business of the Corporation is limited to construction, in the National Capital Region, of buildings for the National Gallery of Canada (NGC), the Canadian Museum of Civilization (CMC) and any other national museum which the Governor in Council may direct, including the acquisition, control, administration and disposal of land required for the construction.

(a) Status of the Corporation

The phasing out of the remaining activities of the Corporation, including the resolution of outstanding contractors' claims on both museum projects, is currently handled by Public Works and Government Services Canada, with the assistance of a former employee of the Corporation under contract.

(b) Funding

In September 1981, the Government allocated $185 million for the two projects. Subsequently, additional increases were approved by Treasury Board to bring the total of funds allocated for construction of the museums to $338.21 million for the period to March 31, 1994, as follows:

	NGC	CMC	Total
	(in millions of dollars)		
Construction	121.85	161.16	283.01
Architects and consultants	14.30	26.20	40.50
	136.15	187.36	323.51
Administration expenses	6.95	7.75	14.70
	143.10	195.11	338.21

CANADA LANDS COMPANY LIMITED—*Continued*

APPENDIX 2—*Continued*

CANADA MUSEUMS CONSTRUCTION CORPORATION INC.—*Continued*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1994—*Continued*

(c) Transfer of National Gallery of Canada building

During 1988-89, custody and control of the National Gallery of Canada building was transferred from the Corporation to the Department of Public Works. Accordingly, the construction in progress and equity accounts have been reduced by the net construction cost to March 31, 1994, in the amount of $141.1 million. In accordance with the terms of the memorandum of understanding between the Corporation and the Department of Public Works, the Corporation continued to be responsible for resolving outstanding construction and consultant claims until June 30, 1992 when all outstanding matters were transferred to the Department of Public Works.

(d) Transfer of Canadian Museum of Civilization Building

During 1990-91, custody and control of the Canadian Museum of Civilization building was transferred from the Corporation to the Department of Public Works. Accordingly, the construction in progress and equity accounts have been reduced by the net construction cost to March 31, 1994 in the amount of $197.0 million. In accordance with the terms of a memorandum of understanding between the Corporation and the Department of Public Works, the Corporation continued to be responsible to complete certain work items and deficiencies and to resolve outstanding construction and consultant claims until June 30, 1992, when all outstanding matters were transferred to the Department of Public Works.

(e) Post-construction program

On November 1, 1990 Treasury Board approved $2.7 million for the post-construction program for the Canadian Museum of Civilization, including the work to upgrade the Omnimax theatre hoisting system. This work has been managed by Public Works and Government Services Canada(PWGSC). However, because of contractual requirements, certain elements of the work are contracted through CMCC on a cost recovery basis from PWGSC.

(f) Additional funding for settlement of claims

On November 7, 1991, Treasury Board considered and approved a submission from the Corporation requesting additional funding of $3.0 million in the 1991-92 Final Supplementary Estimates in order to alleviate an anticipated cash shortfall as a result of the settlement of the contractors' claims at the Canadian Museum of Civilization.

2. Significant accounting policies

(a) Basis of accounting

These financial statements account for the costs incurred by the Corporation in the construction of the museums. They do not account for costs incurred by National Capital Commission for sites or by the former National Museums of Canada for accommodation planning and fit-ups.

(b) Capitalization

All expenditures, including those for site evaluation, design, construction and administration, are capitalized. Interest, management fees and other income are credited to construction in progress. Costs are allocated directly to each museum when they can be specifically identified. The administration expenses are allocated to each project on the basis described in Note 8.

3. Capital stock

The Corporation is authorized to issue three shares with a nominal value of $1 which shall not be transferred without the approval of the Governor in Council.

4. Equity (Deficiency)

During 1991-92, funding of $3.0 million was provided by parliamentary appropriation through Vote 17c of the Department of Public Works for capital expenditures of the Corporation, of which $1.5 million was received in 1991-92 and $1.5 million in 1992-93. The Corporation has now drawn the full amount of its approved parliamentary appropriation.

	1994	1993
	(in thousands of dollars)	
Opening balance	(329)	287
Transfer of net cost of construction	405	(616)
Ending balance	76	(329)

5. Contractual obligations

As at March 31, 1994, commitments for construction and related costs for the Canadian Museum of Civilization amounted to approximately $285,000.

6. Contingencies and claims

(a) Claims have been made against the Corporation totalling approximately $7.4 million for additional construction costs. The final outcome of these claims is not determinable and, accordingly, these items are not reflected in the accounts, except for a provision for anticipated settlement of these claims.

(b) The Corporation has given notice to certain consultants of actual pending claims under professional liability insurance policies. These claims are under review. Actions on certain claims have been taken by the insurers. No provision for amounts to be recovered has been made in the financial statements.

Settlements, if any, resulting from the resolution of these claims will be accounted for in the year in which the settlements occur.

CANADA LANDS COMPANY LIMITED—*Continued*

APPENDIX 2—*Continued*

CANADA MUSEUMS CONSTRUCTION CORPORATION INC.—*Continued*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1994—*Concluded*

7. Related party transactions

(a) Under cost recovery arrangements with Public Works and Government Services Canada, the Corporation receives or provides various services. The following summarizes the transactions:

	Accounts receivable March 31, 1993	Amounts billed during 1994	Amounts received during 1994	Accounts receivable March 31, 1994
	(in thousands of dollars)			
Post-construction work	170	20	(58)	132

(b) In addition, the Corporation was billed and paid the sum of $136,000 in 1993-94 for services rendered by Public Works and Government Services Canada employees in connection with the resolution of claims by contractors against the Corporation.

(c) The Corporation receives audit, legal and certain administrative services without charge from the Office of the Auditor General of Canada and the Department of Justice respectively.

d) In addition to those related party transactions disclosed elsewhere in these financial statements, the Corporation is related in terms of common ownership to all Government of Canada created departments, agencies and Crown corporations. The Corporation enters into transactions with these entities in the normal course of business.

8. Administration expenses

The Corporation incurred the following administration expenses which have been allocated to the Canadian Museum of Civilization project only.

	1994	1993
	(in thousands of dollars)	
Professional and Special Services	576	192
Government Services	136	
Office accommodation	11	
Other	1	4
Salaries and employee benefits		9
Public information		3
Rental of equipment		1
Travel and transportation		1
Office furniture and equipment, net of proceeds from disposal	(1)	(3)
	723	207

CANADA LANDS COMPANY LIMITED—*Concluded*

APPENDIX 2—*Concluded*

CANADA MUSEUMS CONSTRUCTION CORPORATION INC.—*Concluded*

SCHEDULE OF CONSTRUCTION IN PROGRESS
FOR THE YEAR ENDED MARCH 31, 1994
(in thousands of dollars)

	National Gallery of Canada			Canadian Museum of Civilization			Total		
	Balance to March 31, 1993	1994	Balance to March 31, 1994	Balance to March 31, 1993	1994	Balance to March 31, 1994	Balance to March 31, 1993	1994	Balance to March 31, 1994
Construction costs	114,495	(90)	114,405	147,433	(1,065)	146,368	261,928	(1,155)	260,773
Landscaping	4,552		4,552	7,224		7,224	11,776		11,776
Fit-up	7,046		7,046	29,609		29,609	36,655		36,655
Architects and consultants	16,223	61	16,284	32,897	13	32,910	49,120	74	49,194
Construction managers	6,252		6,252	13,101	56	13,157	19,353	56	19,409
	148,568	(29)	148,539	230,264	(996)	229,268	378,832	(1,025)	377,807
Administration (Note 8)	7,360		7,360	11,969	723	12,692	19,329	723	20,052
	155,928	(29)	155,899	242,233	(273)	241,960	398,161	(302)	397,859
Less:									
Funding by NMC	8,776		8,776	35,677		35,677	44,453		44,453
Funding by NCC	4,000		4,000	3,700		3,700	7,700		7,700
Funding by PWGSC	571	19	590	2,287		2,287	2,858	19	2,877
Interest income	1,419		1,419	3,246	84	3,330	4,665	84	4,749
	14,766	19	14,785	44,910	84	44,994	59,676	103	59,779
Net cost	141,162	(48)	141,114	197,323	(357)	196,966	338,485	(405)	338,080
Transfer of NGC and CMC to PWC (Notes 1(c), 1(d) and 4)	(141,162)	48	(141,114)	(197,323)	357	(196,966)	(338,485)	405	(338,080)

CANADA MORTGAGE AND HOUSING CORPORATION

FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 1993

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

CMHC management is responsible for establishing and maintaining a system of books, records, internal controls and management practices to provide reasonable assurance that: reliable financial information is produced; the assets of the Corporation are safeguarded and controlled; the transactions of the Corporation are in accordance with the relevant legislation, regulations and by-laws of the Corporation; the resources of the Corporation are managed efficiently and economically; and the operations of the Corporation are carried out effectively.

Management is also responsible for the integrity and objectivity of the financial statements of the Corporation. The accompanying financial statements for the year ended December 31, 1993 were prepared in accordance with generally accepted accounting principles. The financial information contained elsewhere in this report is consistent with that in the financial statements.

The Board of Directors is responsible for ensuring that management fulfils its responsibilities for financial reporting and internal control. The Board exercises its responsibilities through the Audit Committee, which includes a majority of members who are not officers of the Corporation. The Committee meets from time to time with management, internal audit staff, and independent external auditors to review the manner in which these groups are performing their responsibilities, and to discuss auditing, internal controls, and other relevant financial matters. The Audit Committee has reviewed the financial statements with the external auditors and has submitted its report to the Board of Directors which has approved the financial statements.

The financial statements have been examined by the joint external auditors, J. Colin Potts, FCA, of the firm Deloitte & Touche, and L. Denis Desautels, FCA, Auditor General of Canada. Their report offers an independent opinion on the financial statements to the Minister Responsible for Canada Mortgage and Housing Corporation.

E.A. Flichel
President and Chief Executive Officer

Trevor Gloyn
Acting Vice-President, Finance

AUDITORS' REPORT

TO THE MINISTER RESPONSIBLE FOR CANADA MORTGAGE AND HOUSING CORPORATION

We have audited the balance sheets of the Canada Mortgage and Housing Corporation for the Corporate Account and Insurance and Guarantee Funds as at December 31, 1993, and the related statements of operations and reserve fund, operations and surplus, and changes in financial position, and the Minister's Account statement of expenses and recoveries for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 1993 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles. As required by the *Financial Administration Act*, we report that, in our opinion, these principles have been applied, after giving retroactive effect to the change in basis of accounting for the Minister's Account as explained in Note 22 to the financial statements, on a basis consistent with that of the preceding year.

Further, in our opinion, the transactions of the Corporation that have come to our notice during our audit of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Canada Mortgage and Housing Corporation Act*, the *National Housing Act* and the by-laws of the Corporation.

We wish to draw to your attention Note 3 of the financial statements which describes the Corporation's exposure to reduced margins on financing operations. If unresolved, the Corporation could incur losses which could be material. The Corporation is seeking to resolve this interest rate issue with the Government of Canada.

J. Colin Potts, FCA
of the firm Deloitte & Touche

L. Denis Desautels, FCA
Auditor General of Canada

Ottawa, Canada
February 25, 1994

CANADA MORTGAGE AND HOUSING CORPORATION—*Continued*

CORPORATE ACCOUNT

BALANCE SHEET DECEMBER 31, 1993
(in thousands of dollars)

ASSETS	1993	1992 (Restated)
Loans and investments (Notes 3 and 4)	9,037,586	8,482,840
Cash and short term investments (Note 5)	387,624	
Deferred recoveries from the Minister's account	237,708	156,901
Due from the Minister's account (Notes 6 and 22)	263,812	228,489
Assets under capital lease (Note 7)	32,794	34,810
Business premises and equipment (Note 8)	28,957	23,495
Accounts receivable	5,688	2,984
Deferred income taxes	10,981	11,053
Other assets	8,417	2,717
	10,013,567	8,943,289

LIABILITIES	1993	1992 (Restated)
Borrowings from the Government of Canada (Notes 3 and 9)	8,295,308	8,486,001
Capital Market Borrowings (Note 9)	1,308,944	
Obligation under capital lease (Note 10)	36,219	37,180
Cheques issued in excess of funds on deposit (Note 5)		94,636
Accounts payable and accrued liabilities	301,753	258,717
Due to the Receiver General for Canada	10,841	10,342
Due to Insurance and Guarantee Funds	10,502	6,413
	9,963,567	8,893,289
CAPITAL AND RESERVE FUND		
Capital		
Authorized and fully paid by the Government of Canada	25,000	25,000
Reserve Fund (Note 11)	25,000	25,000
	10,013,567	8,943,289

See accompanying notes.

CANADA MORTGAGE AND HOUSING CORPORATION—*Continued*

CORPORATE ACCOUNT

STATEMENT OF OPERATIONS AND RESERVE FUND
YEAR ENDED DECEMBER 31, 1993
(in thousands of dollars)

	1993	1992
Interest earned (Notes 3 and 12)	778,937	779,603
Interest expense	746,038	734,898
Margin on financing operations	32,899	44,705
Real estate sales	19,054	4,162
Cost of real estate sold	10,670	7,210
Gain (loss) on real estate sales	8,384	(3,048)
Other income	2,221	1,942
Income before operating expenses	43,504	43,599
Operating expenses (Note 13)	34,163	24,261
Income before taxes	9,341	19,338
Income taxes (Note 14)	3,777	7,563
Net income	5,564	11,775
Reserve Fund, beginning of year	25,000	18,095
	30,564	29,870
Due to the Receiver General for Canada	5,564	4,870
Reserve Fund, end of year	25,000	25,000

See accompanying notes.

CORPORATE ACCOUNT

STATEMENT OF CHANGES IN FINANCIAL POSITION
YEAR ENDED DECEMBER 31, 1993
(in thousands of dollars)

	1993	1992 (Restated)
Operating activities		
Net income	5,564	11,775
Add (deduct):		
Amortization	4,618	4,611
Deferred income taxes	72	(2,259)
	10,254	14,127
Changes in:		
Due to/from:		
the Receiver General for Canada	(5,065)	(8,528)
insurance and guarantee funds	4,089	6,884
the Minister's account	(35,323)	(42,729)
Accounts receivable	(2,704)	1,817
Accounts payable and accrued liabilities	43,036	27,136
Other assets	(5,700)	1,583
	8,587	290
Investment activities		
Loans and investments:		
Repayments	339,714	427,358
Additions	(894,460)	(220,637)
Increase in deferred recoveries from the Minister's account	(80,807)	(82,387)
Additions to business premises and equipment	(8,064)	(5,948)
	(643,617)	118,386
Financing activities		
Borrowings from the Government of Canada:		
Borrowings	263,449	306,514
Repayments	(454,142)	(439,509)
Capital market borrowings	1,308,944	
Repayment of obligation under capital lease	(961)	(858)
	1,117,290	(133,853)
Increase (decrease) in cash position	482,260	(15,177)
Cash position:		
Beginning of year	(94,636)	(79,459)
End of year	387,624	(94,636)

See accompanying notes.

MINISTER'S ACCOUNT
STATEMENT OF EXPENSES AND RECOVERIES
YEAR ENDED DECEMBER 31, 1993
(in thousands of dollars)

	1993	1992 (Restated) (Note 22)
Expenses		
Market housing	71,231	57,978
Social housing	1,716,194	1,738,776
Housing support	16,177	9,939
Fees paid to delivery agents	25,701	29,518
Operating expenses (Note 13)	105,577	113,591
Expenses recoverable (Note 6)	1,934,880	1,949,802

See accompanying notes.

CANADA MORTGAGE AND HOUSING CORPORATION—*Continued*

INSURANCE AND GUARANTEE FUNDS

BALANCE SHEET DECEMBER 31, 1993
(in thousands of dollars)

ASSETS	1993	1992
	(Notes 22 and 23)	
Investment in securities (Note 15)	1,550,502	1,323,420
Real estate	242,154	222,620
Mortgages	19,974	20,868
Accounts receivable and other assets	3,136	1,199
Deferred income taxes	17,899	24,883
Due from corporate account	10,502	6,413
	1,844,167	1,599,403

LIABILITIES	1993	1992
	(Notes 22 and 23)	
Accounts payable and accrued liabilities	5,716	6,144
Provision for claims	594,127	507,764
Unearned premiums and guarantee fees	1,185,404	957,889
Premium deficiency	20,491	20,781
	1,805,738	1,492,578
SURPLUSES		
Unappropriated surplus	28,429	48,825
Appropriated surplus (Note 16)	10,000	58,000
	38,429	106,825
	1,844,167	1,599,403

See accompanying notes.

INSURANCE AND GUARANTEE FUNDS
STATEMENT OF OPERATIONS AND SURPLUS
YEAR ENDED DECEMBER 31, 1993
(in thousands of dollars)

	1993	1992
	(Notes 22 and 23)	
Revenues		
Earned premiums and guarantee fees	237,014	195,264
Application fees	37,650	34,968
Income from investments	159,030	132,904
Other	2,848	3,239
	436,542	366,375
Expenses		
Loss on claims	297,177	239,807
Issuance (Note 13)	57,529	53,661
Operating expenses (Note 13)	46,264	42,237
Adjustment to provision for claims	86,363	59,924
	487,333	395,629
Loss before the undernoted	(50,791)	(29,254)
Adjustment to premium deficiency	290	8,759
Loss before taxes	(50,501)	(20,495)
Income taxes (Note 14)	6,400	(8,351)
Net loss	(56,901)	(12,144)
Unappropriated surplus		
Balance, beginning of year	48,825	81,969
Transfer from appropriated surplus	48,000	34,000
Assets returned to the Government of Canada	(11,495)	(55,000)
Balance, end of year	28,429	48,825
Appropriated surplus (Note 16)		
Balance, beginning of year	58,000	92,000
Transfer to unappropriated surplus	(48,000)	(34,000)
Balance, end of year	10,000	58,000
Total surpluses	38,429	106,825

See accompanying notes.

INSURANCE AND GUARANTEE FUNDS
STATEMENT OF CHANGES IN FINANCIAL POSITION
YEAR ENDED DECEMBER 31, 1993
(in thousands of dollars)

	1993	1992
	(Notes 22 and 23)	
Operating activities		
Premiums and guarantee fees received	464,529	438,428
Application fees received	37,650	34,968
Investment income received	179,154	141,207
Claims paid	(482,420)	(434,591)
Proceeds from sales of real estate	177,321	118,720
Operating expenses paid	(104,272)	(96,381)
Income taxes paid	581	(5,734)
Other	(11,039)	(8,065)
	261,504	188,552
Investment activities		
Investment in securities	(245,920)	(126,668)
Financing activities		
Assets returned to the Government of Canada	(11,495)	(55,000)
	(257,415)	(181,668)
Increase in due from corporate account	4,089	6,884

See accompanying notes.

CANADA MORTGAGE AND HOUSING CORPORATION—*Continued*

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 1993

1. BASIS OF PRESENTATION

Canada Mortgage and Housing Corporation was incorporated as a Crown Corporation January 1, 1946. The Corporation is regulated by the *Canada Mortgage and Housing Corporation Act*. The Corporation's mandate, as stated in the *National Housing Act* (NHA), is "to promote the construction of new houses, the repair and modernization of existing houses, the improvement of housing and living conditions." The Corporation is for all purposes an agent of Her Majesty in the right of Canada.

The Corporation has three separate responsibilities under its mandate and maintains separate accounting records for each. Separate financial statements are presented in order to preserve the separate identities of the assets, liabilities and capital, reserve fund and surpluses.

Corporate Account

Within this responsibility, the Corporation makes loans and other investments under various provisions of the NHA, develops and sells land holdings, and provides services in housing related areas. Funding is provided by borrowings from the Government of Canada and the private sector.

Minister's Account

The Corporation administers housing programs under provisions of the *National Housing Act* with funding provided by the Government of Canada through annual Parliamentary appropriations. The Corporation is reimbursed for the related operating expenses.

Insurance and Guarantee Funds

The Corporation administers insurance and guarantee funds under provisions of the *National Housing Act*. The Mortgage Insurance Fund provides insurance against borrower default on residential mortgages. The Mortgage-backed Securities Guarantee Fund guarantees the principal and interest for investors of securities based on insured mortgages.

Together, these statements constitute the financial statements of the Corporation and reflect all of the transactions of the Corporation for the year ended December 31, 1993. In total, the Corporation manages:

	1993	1992
	(in millions of dollars)	
Assets	11 847,2	10 536,3
Liabilities	11 758,8	10 379,5
Portion payable to Government of Canada	8 295,3	8 486,0
Parliamentary appropriations for government funded programs	1 934,9	1 949,8
Operating expenses	243,5	233,7

Operating expenses are allocated to the three separate areas of responsibility as disclosed in Note 13.

2. SUMMARY OF ACCOUNTING POLICIES

These financial statements are prepared in accordance with generally accepted accounting principles in Canada.

(a) Loans

Corporate Account

No provisions are made for possible losses on loans. Losses on insured loans are recoverable from the Mortgage Insurance Fund. Property acquired upon default of uninsured loans is subject to loss recovery as described under Real Estate. Other losses on uninsured loans are recoverable from the Government of Canada through the Minister's Account.

If loans contain forgiveness clauses, such forgiveness is recorded and recovered from the Government of Canada through the Minister's Account when the loans are advanced.

Loans under certain programs give rise to interest rate losses that are recoverable from the Government of Canada through the Minister's Account.

Insurance and Guarantee Funds

Mortgages are valued at cost less a provision for estimated loss.

(b) Federal-Provincial Agreements

Loans and investments are made under various cost-sharing agreements with the provinces and territories to encourage the development of rental housing, land assembly, cooperative housing, rural and native housing, and housing rehabilitation.

Only the Corporation's share of costs plus capitalized interest are reflected in these statements.

The Corporation's share of subsidies and losses related to these agreements is recovered from the Government of Canada through the Minister's Account.

Gains on the sale of land assembly projects are recognized as income in the Corporate Account.

(c) Real Estate

Corporate Account

Real estate includes vacant land and properties acquired directly by the Corporation, or through the Government of Canada at no cost, or through default on uninsured loans.

All real estate is recorded at cost, which includes acquisition costs and any modernization and improvement costs.

Holding costs, including interest, on real estate acquired directly by the Corporation are capitalized up to appraised value after which the costs are expensed in the Corporate Account. Gains or losses on the disposal of these properties are recorded in the Corporate Account. Losses resulting from permanent decline in the value of property are recognized in the year in which these losses are identified.

Holding costs, including interest, on real estate acquired through the Government of Canada at no cost, or through default on uninsured loans, are capitalized. Gains or losses on the disposal of these properties are paid to or recovered from the Government of Canada through the Minister's Account. All net operating losses on real estate are recovered from the Government of Canada through the Minister's Account.

CANADA MORTGAGE AND HOUSING CORPORATION—*Continued*

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 1993—*Continued*

Buildings included as real estate in Loans and Investments are written off and charged to the Government of Canada through the Minister's Account on a straight-line basis over the same term as the related borrowings.

Insurance and Guarantee Funds

Real estate acquired upon the payment of a claim resulting from a loan default is valued at net realizable value. Net realizable value is calculated as the current appraised value of the property, as determined by the Corporation, less the discounted value of estimated holding and disposal costs. Amortization is not recorded on the real estate.

(d) Deferred Recoveries from the Government of Canada through the Minister's Account

Effective April 1, 1991, expenditures to modernize and improve certain properties are recovered from the Government of Canada through the Minister's Account over a period of ten years.

(e) Amortization

Assets under Capital Lease and Business Premises and Equipment are amortized on a diminishing balance basis over the estimated useful life of the asset. Leasehold improvements are amortized on a straight-line basis.

(f) Financial Instruments

Financial Instruments are swaps in the interest rate market. These instruments are used as hedges in conjunction with overall liability management activities within the guidelines of the Department of Finance.

Gains or losses arising from transactions are deferred and recognized in income over the remaining life of the hedged item. The costs of issuing these instruments are included in interest expense.

(g) Investment in Securities

Investments are carried at amortized cost plus accrued interest.

(h) Provision for Claims

This provision represents the estimated loss on claims in process of payment and the estimated loss on loans, where defaults have occurred, but for which claims have not yet been received by the Corporation.

(i) Premiums

Premiums are deferred and are taken into income over the life of the related policies based on the risk of default in each year.

(j) Premium Deficiency

Annually, the Corporation compares the amount of its unearned premiums by line of business to the discounted costs of claims that have not yet occurred on insurance policies in force. Whenever it is determined that the unearned premiums on a line of business are inadequate to meet the expected net costs of future claims, a premium deficiency is charged to operations. Subsequently, it is taken into income on the same basis as unearned premiums.

(k) Guarantee Fees

Guarantee fees are deferred and are taken into income over the term of the relative Mortgage-backed Security issue on a straight-line basis. Issues currently exist for terms of between one and twenty-five years.

(l) Application Fees

Application fees are recognized as income when received.

(m) Insurance Issuance Costs

Issuance costs are expensed as incurred.

(n) Pension Costs and Obligations

The cost of pension benefits earned by employees is charged to income as services are rendered. Adjustments arising from pension plan amendments, experience gains and losses, and changes in assumptions are amortized over the expected average remaining service life of the employee group.

3. INTEREST RATE RISK—PREFERENTIAL LENDING AND BORROWING ARRANGEMENTS

In 1991 the Government of Canada discontinued CMHC's right of prepayment without penalty on its borrowings from the Consolidated Revenue Fund.

Of the borrowings, $3.2 billion was for loans made by CMHC prior to 1986 under various sections of the *National Housing Act* which have prepayment without penalty privileges. These loans have original terms of up to 50 years. As a result, the Corporation was required to assume the interest rate risk which was previously borne by the Government of Canada.

As a result of recent significant declines in interest rates, borrowers have started to exercise their prepayment privileges thereby exposing the Corporate Account to reduced margins on financing operations. In 1993, the margins were reduced by $6 million. Management estimates that the impact over the next five year period of renegotiated loans and loans not yet renegotiated is $35 million to $76 million per annum depending on prevailing interest rates.

No provision has been made in the financial statements for the impact of reduced margins on loans renegotiated or not yet renegotiated because of the uncertainty of the amounts involved and the nature of remedies from the Government of Canada.

If unresolved, the reduced margins on financing operations expose the Corporation to losses which could be material. These losses could be significant in relation to the Corporation Account capital and reserve fund.

The Corporation intends to resolve this interest rate risk issue with the Government of Canada.

4. LOANS AND INVESTMENTS

	1993	1992
	(in thousands of dollars)	
Loans	4,210,600	3,912,215
Federal-Provincial Agreements		
Loans	2,932,305	2,715,758
Investments in housing projects	1,775,253	1,747,201
Land assembly projects	29,228	33,081
	4,736,786	4,496,040
Real estate		
Investments in housing projects	24,914	22,414
Land	65,286	52,171
	90,200	74,585
Total loans and investments	9,037,586	8,482,840

CANADA MORTGAGE AND HOUSING CORPORATION—*Continued*

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 1993—*Continued*

The amount of interest capitalized on real estate in 1993 was $3.9 million (1992—$3.3 million).

In accordance with the terms of the *National Housing Act*, the Government of Canada will reimburse the Corporation for any losses incurred on uninsured loans, Federal-Provincial Agreements and Real Estate.

At December 31, 1993, the Corporation has approximately $70 million of loans in difficulty. The Corporation is endeavouring to resolve this matter with the borrowers involved.

Any losses claimed from the Government of Canada are charged to the Minister's Account in the year they are claimed. The funding for these losses is included in the main and supplementary estimates, tabled in Parliament.

5. CASH AND SHORT TERM INVESTMENTS

	1993 Book Value	1993 Market Value	1992 Book Value
	(in thousands of dollars)		
Cash	16,282	16,282	
Cheques issued in excess of funds on deposit			(94,636)
Commercial paper and term deposits	41,265	41,265	
Canada bonds	330,077	331,549	
Total	387,624	389,096	(94,636)

6. DUE FROM THE MINISTER'S ACCOUNT

	1993	1992
	(in thousands of dollars)	
Receivable, beginning of year	228,489	185,760
Minister's account expenses	1,934,880	1,949,802
Recovered from the Minister	(1,899,557)	(1,907,073)
Receivable, end of year	263,812	228,489

7. ASSETS UNDER CAPITAL LEASE

	Rate	Cost	Accumulated amortization	Net book value 1993	Net book value 1992
	%	(in thousands of dollars)			
Building	4	29,809	3,436	26,373	27,472
Leasehold improvements	10	9,172	2,751	6,421	7,338
Total		38,981	6,187	32,794	34,810

Amortization in 1993 was $2.0 million (1992—$2.1 million).

8. BUSINESS PREMISES AND EQUIPMENT

	Rate	Cost	Accumulated amortization	Net book value 1993	Net book value 1992
	%	(in thousands of dollars)			
Land		166		166	166
Buildings	5	28,836	8,052	20,784	14,871
Leasehold improvements	20	7,483	6,845	638	864
Equipment	8, 20 or 30	33,062	25,693	7,369	7,594
Total		69,547	40,590	28,957	23,495

Amortization in 1993 was $2.6 million (1992—$2.5 million).

9. BORROWINGS

The Corporation borrows from the Government of Canada and for the first time in 1993 from capital markets under provisions of the *Canada Mortgage and Housing Corporation Act* and the *National Housing Act* to finance loans and investments.

	1993	Interest rate	Term	1992
	(in millions of dollars)			
Government of Canada	8,295.3	2.00 to 17.96%	up to 50 years	8,486.0
Capital market				
Commercial paper	305.7	average 4.46 %	less than 1 year	
Long term bonds	1,003.2	6.11 %	5 years	
Total	9,604.2			8,486.0

The payments scheduled for the next five years are:

	1994	1995	1996	1997	1998
	(in millions of dollars)				
Government of Canada	216.0	194.5	195.7	198.0	201.5
Capital market					
Commercial paper	305.7				
Long term bonds					1,000.0
Total	521.7	194.5	195.7	198.0	1,201.5

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 1993—*Continued*

10. OBLIGATION UNDER CAPITAL LEASE

The Corporation financed additions and improvements to the National Office building in 1990 with a long-term lease that is accounted for as a capital lease. The Corporation assumes ownership of the building for a cost of one dollar at the termination of the lease in 2015.

The annual lease payments are $5.2 million for the first 10 years and $3.6 million for the remaining 15 years.

The minimum lease payments are:

	(in thousands of dollars)
1994 to 1998	25,844
1999 to 2015	63,552
Total future minimum lease payments	89,396
Less interest at 11.77 and 11.57%	53,177
Present value of minimum lease payments	36,219

Interest expense in 1993 was $4.2 million (1992—$4.3 million).

11. RESERVE FUND

Net income or loss is transferred to the Reserve Fund which is limited by Order-in-Council to $25 million. Any excess is paid to the Receiver General for Canada.

12. INTEREST LOSS RECOVERIES

The Corporation was authorized by the Government of Canada to approve certain loans and investments at a negative interest margin and to recover the loss from the Government of Canada through the Minister's Account. The interest loss recovered is included in interest income.

The recoveries by program are:

	1993	1992
	(in thousands of dollars)	
Market housing	14,951	17,990
Social housing	17,458	18,175
Total	32,409	36,165

13. OPERATING EXPENSES

The operating expenses of the Corporation are allocated on the basis of staff utilization as follows:

	1993		1992	
	(in thousands of dollars)			
		%		%
Corporate account	34,163	14.0	24,261	10.4
Minister's account	105,577	43.4	113,591	48.6
Insurance and guarantee funds	103,793	42.6	95,898	41.0
Total	243,533	100.0	233,750	100.0

14. INCOME TAXES

Income taxes include tax on income and Large Corporations Tax (LCT).

The tax rate on income is 38%. The Large Corporations Tax rate is 0.2%.

Taxes are:

	1993			1992		
	Income tax	LCT	Total	Income tax	LCT	Total
	(in millions of dollars)					
Corporate account	3,7	0,1	3,8	7,5	0,1	7,6
Insurance and guarantee funds	3,5	2,9	6,4	(11,1)	2,7	(8,4)
Total	7,2	3,0	10,2	(3,6)	2,8	(0,8)

CANADA MORTGAGE AND HOUSING CORPORATION—*Continued*

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 1993—*Continued*

15. INVESTMENTS IN SECURITIES

	1993						1992	
	Within 1 year	One to 3 years	Three to 5 years	Over 5 years	Total book value	Estimated market value	Total book value	Estimated market value
	(in millions of dollars)							
Mortgage Insurance Fund								
Canada Treasury Bills	54,5				54,5	54,7	133,0	132,4
Provincial Treasury Bills	20,2				20,2	20,2		
Government of Canada Bonds	112,4	6,4	10,0	865,3	994,1	1 053,3	1 052,5	1 080,3
Provincial Bonds	2,9	5,1	19,7	106,4	134,1	153,9		
Corporate Bonds	0,1	20,0		25,5	45,6	23,6		
Mortgage-backed Securities	73,6		136,4	52,9	262,9	270,0	99,0	101,3
Total	263,7	31,5	166,1	1 050,1	1 511,4	1 575,7	1 284,5	1 314,0
Other Funds								
Canada Treasury Bills	2,3				2,3	2,3	8,3	8,3
Promissory Notes	0,5				0,5	0,5		
Government of Canada Bonds	3,5	7,1	9,2	14,4	34,2	36,5		
Provincial Bonds	0,1			2,0	2,1	2,0	30,6	30,8
Total	6,4	7,1	9,2	16,4	39,1	41,3	38,9	39,1
Total	270,1	38,6	175,3	1 066,5	1 550,5	1 617,0	1 323,4	1 353,1

16. APPROPRIATED SURPLUS

Management, on the advice of the actuary, has established a reserve for possible additional claims on the Mortgage Insurance Fund which may occur as the result of potential losses associated with environmental matters on projects that have been underwritten by the Fund. Although Management has been unable to determine the likelihood of occurrence, a reserve has been established based on Management's assessment of the impact of these losses.

17. COMMITMENTS

(a) Loans and Investments

Commitments outstanding for loans and investments amounted to $557.7 million at December 31, 1993 (1992—$248.9 million).

(b) Operating Leases

Minimum rental payments scheduled over the next five years on business premises and equipment under long-term non-cancellable leases are:

	1994	1995	1996	1997	1998
	(in thousands of dollars)				
Business premises	9,597	8,354	7,423	5,169	4,188
Equipment	13,610	12,743	10,878	10,752	1,509
Total	23,207	21,097	18,301	15,921	5,697

(c) Off-balance Sheet Financial Instruments

In order to manage its exposure to fluctuations in interest rates, the Corporation has entered into interest rate swap agreements with various financial institutions. These financial instruments are not reflected in the financial statements.

At December 31, 1993, the notional principal amounts, which are the contract amounts used in determining payments, outstanding under these agreements were $1 240.6 million.

(d) Future Contractual Obligations

Total financial obligations under contracts for the Minister's Account, Social Housing programs, extend for periods up to 45 years. Uncertainty in forecasting the economic factors used to calculate the financial obligations precludes reasonable estimation beyond five years.

Estimated obligations for the next five years are:

	(in millions of dollars)
1994	2,057
1995	2,018
1996	1,998
1997	2,003
1998	2,030

CANADA MORTGAGE AND HOUSING CORPORATION—*Continued*

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 1993—*Continued*

18. CONTINGENT LIABILITIES

In 1982, the Corporation became defendant, solely or jointly, in legal claims regarding urea formaldehyde foam insulation totalling approximately $48.9 million. While the Corporation was successful before the courts in 1991, the decision has been appealed. It is uncertain if costs arising from the legal claims regarding urea formaldehyde foam insulation would be charged to the Corporate Account or the Government of Canada through the Minister's Account. There are no other legal claims against the Corporate Account at the end of 1993 (1992—nil).

There were other legal claims of $3.8 million at the end of 1993 (1992—$6.5 million), which if successfully held against the Corporation, could result in charges to the Government of Canada through the Minister's Account.

Legal claims of $29.4 million (1992—$11.5 million) are pending against the Mortgage Insurance Fund.

Due to the uncertainty of the outcome of these events, no provision for loss has been made. Costs arising as a result of these actions would be expensed when determined.

19. PENSION PLAN

The Corporation maintains an indexed, defined benefit pension plan. Retirement benefits are based on the average salary in any best five-year period and the number of years of service.

The accrued pension benefits are determined using the projected benefits method prorated on service.

The Corporation's funding policy is to contribute the amount required to provide for current benefits attributed to service and to pay the unfunded pension plan liabilities over periods permitted by regulatory authorities.

Based on an actuarial valuation at January 1, 1993, and using management's best estimates, the status of the plan at December 31, 1993 is:

	1993	1992
	(in thousands of dollars)	
Net assets available for benefits	561,973	526,504
Actuarial value of accrued pension benefits	553,318	524,939
Excess of net assets over actuarial value of accrued pension benefits	8,655	1,565
Annual pension cost		
Current service costs	10,262	10,300
Government pension plans	2,164	1,996
Amortization of experience gains and losses	(692)	(694)
Total	11,734	11,602

20. ACTUARIAL VALUATION

(a) Mortgage Insurance Fund

An actuarial study of the Fund as at September 30, 1993 disclosed that the Fund is sufficient to pay all future claims in respect of business in force. The estimated pre-tax surplus at September 30, 1993 was $9.4 million (September 30, 1992—$47.4 million).

(b) Mortgage-backed Securities Guarantee Fund

Based on an actuarial study as at December 31, 1992, made in July 1993, the unearned guarantee fees are adequate to provide for the risks evaluated and any other residual risk.

21. INSURANCE AND GUARANTEES IN FORCE

(a) Mortgage Insurance Fund

At December 31, 1993, insurance policies in force totalled approximately $86.5 billion (1992—$72.0 billion).

(b) Mortgage-backed Securities Guarantee Fund

At December 31, 1993, guarantees in force totalled approximately $16.3 billion (1992—$12.0 billion).

22. COMPARATIVE FIGURES

(a) Reclassification

In 1993, the Insurance and Guarantee Funds are presented on a combined basis. The 1992 comparative figures have been reclassified to conform to the 1993 statement presentation.

(b) Restatement

Accounting Policy Change

Commencing in 1993, the Minister's Account Statement of Expenses and Recoveries is presented on an accrual basis of accounting. Previously, this statement was prepared on a cash basis. This accounting policy change has been applied retroactively and reported expenses are higher in 1993 by $45.3 million (1992—$31.9 million) than would otherwise be the case.

In the Corporate Account balance sheet, the receivable from the Minister's Account and Accounts Payable and Accrued Liabilities have all increased by $247.2 million (1992—$201.9 million).

CANADA MORTGAGE AND HOUSING CORPORATION—*Continued*

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 1993—*Continued*

23. INSURANCE AND GUARANTEE FUNDS

BALANCE SHEET
(in thousands of dollars)

	Mortgage Insurance Fund		Mortgaged-backed Securities Guarantee Fund		Rental Guarantee Fund	
	1993	1992	1993	1992	1993	1992
ASSETS						
Investment in securities	1,511,429	1,284,472	36,538	30,390	2,535	7,106
Real estate	232,404	212,205			9,750	10,415
Mortgages	19,974	20,865				
Accounts receivable and other assets	3,136	1,199				
Deferred income taxes	17,516	24,647	346	223	37	13
Due from (to) Corporate account	10,342	7,272	(390)	(1,277)	550	415
	1,794,801	1,550,660	36,494	29,336	12,872	17,949
LIABILITIES						
Accounts payable and accrued liabilities	5,677	6,096			39	48
Provision for claims	594,127	507,764				
Unearned premiums and guarantee fees	1,159,090	938,084	26,314	19,805		
Premium deficiency	20,491	20,781				
	1,779,385	1,472,725	26,314	19,805	39	48
SURPLUSES						
Unappropriated surplus	5,416	19,935	10,180	9,531	12,833	17,901
Appropriated surplus	10,000	58,000				
	1,794,801	1,550,660	36,494	29,336	12,872	17,949

CANADA MORTGAGE AND HOUSING CORPORATION—*Continued*

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 1993—*Continued*

23. INSURANCE AND GUARANTEE FUNDS—*Continued*

STATEMENT OF OPERATIONS AND SURPLUS
(in thousands of dollars)

	Mortgage Insurance Fund		Mortgaged-backed Securities Guarantee Fund		Rental Guarantee Fund	
	1993	1992	1993	1992	1993	1992
Revenues						
Earned premiums and guarantee fees	230,092	190,904	6,922	4,360		
Application fees	36,044	33,543	1,606	1,425		
Income from investments	156,088	129,954	2,563	2,281	310	554
Other	2,469	2,538	(207)		585	700
	424,693	356,939	10,884	8,066	895	1,254
Expenses						
Loss on claims	296,349	239,139			828	668
Issuance	57,529	53,661				
Operating expenses	44,448	40,547	1,677	1,537	129	126
Adjustment to provision for claims	86,363	59,924				
	484,689	393,271	1,677	1,537	957	794
Income (loss) before the undernoted	(59,996)	(36,332)	9,207	6,529	(62)	460
Adjustment to premium deficiency	290	8,759				
Income (loss) before taxes	(59,706)	(27,573)	9,207	6,529	(62)	460
Income taxes	2,813	(11,125)	3,558	2,524	6	213
Net income (loss)	(62,519)	(16,448)	5,649	4,005	(68)	247
Unappropriated surplus						
Balance, beginning of year	19,935	57,383	9,531	5,526	17,901	17,654
Transfer from appropriated surplus	48,000	34,000				
Assets returned to the Government of Canada		(55,000)	(5,000)		(5,000)	
Balance, end of year	5,416	19,935	10,180	9,531	12,833	17,901
Appropriated surplus						
Balance, beginning of year	58,000	92,000				
Transfer to unappropriated surplus	(48,000)	(34,000)				
Balance, end of year	10,000	58,000				
Total surpluses	15,416	77,935	10,180	9,531	12,833	17,901

CANADA MORTGAGE AND HOUSING CORPORATION—*Continued*

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 1993—*Continued*

23. INSURANCE AND GUARANTEE FUNDS—*Continued*

STATEMENT OF CHANGES IN FINANCIAL POSITION
(in thousands of dollars)

	Mortgage Insurance Fund		Mortgaged-backed Securities Guarantee		Rental Guarantee Fund	
	1993	1992	1993	1992	1993	1992
Operating activities						
Premiums and guarantee fees received	451,099	425,866	13,431	12,562		
Application fees received	36,044	33,543	1,606	1,425		
Investment income received	175,911	138,772	2,629	1,879	544	428
Claims paid	(482,420)	(434,591)				
Proceeds from sales of real estate	177,321	118,720				
Operating expenses paid	(102,459)	(94,691)	(1,676)	(1,537)	(129)	(126)
Income taxes paid	4,319	(1,038)	(3,682)	(4,127)	(33)	(494)
Other	(11,031)	(8,485)	(207)	26	203	395
	248,784	178,096	12,101	10,228	585	203
Investment activities						
Investment in securities	(245,714)	(115,020)	(6,214)	(11,596)	4,550	
Financing activities						
Assets returned to the Government of Canada		(55,000)	(5,000)		(5,000)	
Increase (decrease) in due from corporate account	3,070	8,076	887	(1,368)	135	203

CANADA MORTGAGE AND HOUSING CORPORATION—*Concluded*

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 1993—*Concluded*

23. INSURANCE AND GUARANTEE FUNDS—*Concluded*

The Rental Guarantee program is no longer active.

The Home Improvement Loan Insurance Fund was wound up in 1993 and the surplus of $1.5 million was returned to the Government of Canada.

The Home Improvement Loan Insurance Fund had an asset balance of $1 458 thousand at December 31, 1992 with a net income in 1993 of $37 thousand (1992—$53 thousand).

FIVE YEAR FINANCIAL HIGHLIGHTS
AT AND FOR THE YEARS ENDED DECEMBER 31
(in millions of dollars)

	1993	1992	1991	1990	1989
Corporate account					
Total assets	10,014	8,741	8,855	9,057	9,213
Portfolio of loans and investments:					
Loans	4,211	3,912	4,154	4,443	4,646
Federal-Provincial agreements	4,737	4,496	4,476	4,451	4,369
Real estate	90	75	59	52	43
Total loans and investments	9,038	8,483	8,689	8,946	9,058
Total Government of Canada borrowings	8,295	8,486	8,619	8,703	8,819
Margin on financing operations	33	45	54	67	48
Gain (loss) on real estate sales	8	(3)	3	4	13
Net income	6	12	17	10	24
Minister's account					
Expenditures for CMHC-administered housing programs on behalf of the Government of Canada:					
Grants, contributions and subsidies	1,804	1,807	1,866	1,732	1,541
Operating expenses and fees paid to delivery agents	131	143	140	134	128
Insurance and guarantee funds					
Mortgage insurance fund:					
Total assets	1,795	1,551	1,339	1,106	906
Surplus	15	78	149	164	47
Premiums and application fees received	487	459	275	208	223
Investment income received	176	139	106	73	57
Net income (loss)	(63)	(16)	(15)	117	163
Insurance claims paid	482	435	161	98	111
Insurance in force	86,500	72,000	58,300	52,800	48,600
Mortgage-backed securities:					
Total assets	36	31	19	11	6
Surplus	10	10	6	3	1
Guarantee and application fees received	15	14	7	5	5
Investment income received	3	2	1		
Net income	6	4	2	2	1
Guarantees in force	16,300	12,000	7,700	4,900	3,000

Note: Certain figures have been restated for comparability.

CANADA PORTS CORPORATION

AUDITORS' REPORT

TO THE HONOURABLE DOUGLAS YOUNG, P.C., M.P.
MINISTER OF TRANSPORT

We have audited the consolidated balance sheet of Canada Ports Corporation as at December 31, 1993 and the statements of income and deficit and changes in financial position for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 1993 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles. As required by the *Financial Administration Act*, we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in our opinion, the transactions of the Corporation that have come to our notice during our examination of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Canada Ports Corporation Act* and the by-laws of the Corporation.

Arthur Anderson & Co.
Chartered Accountants

Ottawa, Canada
February 18, 1994

BALANCE SHEET
AS AT DECEMBER 31, 1993
(in thousands of dollars)

ASSETS	1993	1992
Current		
Cash	1,366	1,297
Short-term investments (Note 3)	19,296	17,052
Accounts receivable	6,139	6,685
Due from Canada	295	240
Materials and supplies	2,719	2,548
	29,815	27,822
Investments (Note 3)	18,348	18,282
Fixed assets (Note 4)	104,863	103,111
	153,026	149,215
Interport Loan Fund—Assets (Note 10)	94,012	68,715
	247,038	217,930

LIABILITIES	1993	1992
Current		
Accounts payable and accrued liabilities (Note 5)	15,280	27,152
Due to Interport Loan Fund (Note 6)	1,114	16,119
	16,394	43,271
Accrued employee benefits	2,306	2,668
Due to Interport Loan Fund (Note 6)	47,946	45,530
Long-term debt (Note 7)	196,513	178,284
	263,159	269,753
DEFICIENCY OF CANADA		
Contributed capital (Note 8)	111,672	111,672
Deficit (Note 9)	(221,805)	(232,210)
	(110,133)	(120,538)
	153,026	149,215
Interport Loan Fund Balance (Note 10)	94,012	68,715
	247,038	217,930

The accompanying notes are an integral part of these financial statements.

On behalf of the Board:

ARNOLD E. MASTERS
Chairman of the Board

JEAN MICHEL TESSIER
President and Chief Executive Officer

CANADA PORTS CORPORATION—*Continued*

STATEMENT OF INCOME AND DEFICIT
FOR THE YEAR ENDED DECEMBER 31, 1993
(in thousands of dollars)

	1993	1992
Revenue from operations	54,842	52,796
Operating and administrative expenses	22,181	18,457
Depreciation	5,519	4,897
Municipal grants and taxes	2,692	2,776
	30,392	26,130
Income from operations	24,450	26,666
Investment income	3,200	3,502
Interest expense	(17,132)	(18,370)
Net income for the year	10,518	11,798
Deficit at beginning of the year	(232,210)	(243,978)
Dividend to Canada	(113)	(30)
Deficit at end of the year	(221,805)	(232,210)

The accompanying notes are an integral part of these financial statements.

STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED DECEMBER 31, 1993
(in thousands of dollars)

	1993	1992
Operating Activities		
Net income for the year	10,518	11,798
Items not affecting cash		
Depreciation	5,519	4,897
Deferred interest		1,643
Other	(375)	1,092
Net change in non-cash components of working capital	4,653	(3,995)
Cash provided by operating activities	20,315	15,435
Financing Activities		
Capital grants	231	12,752
Change in due from Canada		187
Transfers from Interport Loan Fund	6,830	19,662
Repayment of transfers from Interport Loan Fund	(19,237)	(250)
Issuance of long-term debt	203,000	
Repayment of long-term debt	(198,537)	(17,871)
Dividend paid to Canada	(113)	(30)
Cash (required) provided by financing activities	(7,826)	14,450
Investing Activities		
Additions to fixed assets	(7,556)	(30,486)
Change in construction payables	(2,620)	(5,299)
Other		404
Cash required by investing activities	(10,176)	(35,381)
Increase (decrease) in cash and short-term investments	2,313	(5,496)
Cash and short-term investments at beginning of the year	18,349	23,845
Cash and short-term investments at end of the year	20,662	18,349

The accompanying notes are an integral part of these financial statements.

CANADA PORTS CORPORATION—*Continued*

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1993

1. *CANADA PORTS CORPORATION ACT*

Canada Ports Corporation (the Corporation) was established under the *Canada Ports Corporation Act* (the Act), to administer, manage and control Canadian harbours, and any other harbour, work or property of Canada transferred by the Governor in Council. The Corporation is named in Part II of Schedule III of the *Financial Administration Act* and is exempt from income tax.

The Corporation has direct reponsibility for operating eight divisional ports and has a wholly-owned subsidiary Ridley Terminals Inc. (RTI), a coal terminal facility in Prince Rupert. The Act provides for the establishment of local port corporations to manage and operate additional selected ports. The Act also charges the Corporation with certain responsibilities respecting these ports, particularly concerning capital projects. In addition, the Corporation administers the Interport Loan Fund on behalf of itself and the local port corporations.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Financial statements

The financial statements of the Corporation include the accounts of the divisional ports under its administration and of RTI. The activities of the local port corporations are excluded from the financial statements from the date of their establishment. As the earnings of the Interport Loan Fund do not accrue to the Corporation, the assets, liabilities, revenues and expenses of the Fund are not consolidated (see Note 10).

(b) Investments

The investments are shown at amortized cost whereby premiums or discounts from par value are amortized over the periods to maturity.

(c) Fixed assets

Fixed assets are recorded at cost with the exception of those transferred to the Corporation from Canada. The assets transferred from Canada are recorded at appraised or fair market value established at the time of transfer. Grants towards capital projects received from Canada and from third parties are deducted from the cost of the related fixed assets.

Depreciation of fixed assets is calculated on the straight-line basis commencing with the year the asset becomes operational, using rates based on the estimated remaining useful lives of the assets. The cost of RTI's coal terminal facility is being depreciated, following a write-down of $176,872,000 at December 31, 1990, using the straight-line method over its remaining useful life to December 31, 2015. The net book value of RTI's fixed assets was $20,481,000 as at December 31, 1993.

(d) Pension costs

Permanent employees of the Corporation are covered by the Public Service Superannuation Plan, which is a contributory defined-benefit pension plan administered by Canada. However, employees of RTI are covered by a non-contributory defined-benefit plan.

(e) Municipal grants and taxes

The expense for municipal grants and taxes is based on estimated municipal assessments, adjusted in accordance with the *Municipal Grants Act* where applicable. Municipal grants are finalized after the amounts have been audited by the Municipal Grants Division of Public Works Canada. Any adjustments upon finalization of the grants are reflected in the accounts in the year of settlement.

(f) Employee benefits

The Corporation accrues in its accounts the estimated liabilities for severance pay, annual leave and overtime compensatory leave, which are payable to its employees under its collective agreements, or in accordance with its policy.

(g) Revenue recognition

Revenue is recognized as the related services are provided. RTI's coal throughput revenue is recorded at 50 percent of the contracted throughput rate at the time the coal is received at the terminal, with the balance being recorded at the time of ship loading. RTI's throughput agreements with its two main customers are in place until March 31, 1998 and March 31, 1999. These agreements provide for guaranteed delivery of an annual minimum tonnage to the terminal. Revenues resulting from any shortfall in tonnage are recognized at the end of the coal year when the amount of shortfall revenue is known.

3. INVESTMENTS

Short-term investments consist of $17,298,000 of Canada treasury bills and $1,998,000 of other money market securities (1992—$17,052,000 of treasury bills). As at December 31, 1993 and 1992, the market value of the short-term investments approximates their amortized cost.

Long-term investments of $18,348,000 (1992—$18,282,000) are Canada bonds and as at December 31, 1993, their market value is $23,924,000 (1992—$22,088,000).

CANADA PORTS CORPORATION—*Continued*

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1993—*Continued*

4. FIXED ASSETS

(a) Summary

	1993				1992
	Depreciation rates	Cost or appraised value	Accumulated depreciation	Net	Net
	%	(in thousands of dollars)			
Land		6,609		6,609	4,931
Dredging	2.5-6.7	15,407	7,463	7,944	2,499
Berthing structures	2.5-10	48,680	20,915	27,765	14,645
Buildings	2.5-10	33,653	13,987	19,666	18,618
Coal terminal facility	4-33	22,826	2,541	20,285	21,052
Utilities	3.3-10	7,483	2,254	5,229	2,733
Roads and surfaces	2.5-10	4,545	2,603	1,942	1,638
Machinery and equipment	5-100	29,088	19,576	9,512	9,313
Office furniture and equipment	20	4,068	3,260	808	979
Works under construction		5,103		5,103	26,703
		177,462	72,599	104,863	103,111

(b) Capital grants

During the year, the Corporation received capital grants towards the construction of fixed assets totalling $231,000 (1992—$12,752,000).

(c) Commitments

Contractual obligations for the completion, construction and purchase of fixed assets are estimated at $1,489,000 of which most will be expended in the year ending December 31, 1994.

The Corporation leases from the Prince Rupert Port Corporation the land on which the coal terminal facility is constructed. The lease is for twenty-five years starting March 31, 1984, with a twenty-year renewal term beginning March 31, 2009. Lease payments are based on throughput charges per tonne which are subject to escalation provisions relating to increases in the Canadian Consumer Price Index for each year.

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Included in accounts payable and accrued liabilities are deferred revenues of $2,713,000 (1992—$3,146,000) and current portion of long-term debt of $68,000 (1992—$13,834,000).

6. DUE TO INTERPORT LOAN FUND

The Interport Loan Fund has provided long-term financing for two capital projects of ports under the administration of the Corporation.

	1993	1992
	(in thousands of dollars)	
(a) Transfers to the Port of Belledune bearing interest at 7.18% to 11.47% and accrued interest of $2,438,000, repayable in twenty blended annual instalments of principal and interest of $2,737,000 and maturing December 31, 2013	23,623	23,425
(b) Transfers to the Port of Sept-Îles bearing interest at 7.91% to 9.20%, repayable primarily in twenty blended annual instalments of principal and interest of $2,874,000 and maturing December 31, 2011	25,437	23,042
(c) Transfers to RTI bearing interest at 5.36% and 7.44% and accrued interest of $182,000, repayable in 1993		15,182
	49,060	61,649
Less: Current portion	(1,114)	(16,119)
	47,946	45,530

Principal repayment requirements over the next five years amount to $1,114,000 in 1994, $1,215,000 in 1995, $1,325,000 in 1996, $1,445,000 in 1997 and $1,577,000 in 1998.

7. LONG-TERM DEBT

	1993	1992
	(in thousands of dollars)	
(a) Loan from Canada bearing interest at 6.44%, repayable in twenty blended annual instalments of principal and interest of $106,000 and maturing on December 31, 2000	581	645
(b) RTI note, repayable on August 12, 1998, and bearing interest at 6.93% payable annually	165,000	
(c) RTI note, under a revolving facility, repayable by August 12, 1998, and bearing interest at Canadian inter-bank bankers' acceptance rate plus 0.20% payable at maturity of note	31,000	
(d) RTI term loan, repayable in specified semi-annual instalments commencing July 31, 1991. Interest was at the bank's prime rate, payable monthly		191,473
	196,581	192,118
Less: Current portion	(68)	(13,834)
	196,513	178,284

CANADA PORTS CORPORATION—*Continued*

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1993—*Continued*

Principal repayment requirements over the next five years amount to $68,000 in 1994, $73,000 in 1995, $77,000 in 1996 and $82,000 in 1997 and $196,088,000 in 1998.

In 1993, RTI refinanced its existing debt with Export Development Corporation (EDC). This new financing consisting of notes replaced the term loan with a major Canadian bank and the transfers from the Interport Loan Fund. Under the financing arrangement with EDC, a fixed rate note issued is repayable in 1998, while notes issued under a revolving facility are at variable rates and repayable by August 12, 1998.

The revolving facility provides for notes to be issued up to an aggregate maximum of $41 million. These notes may be for a term of one to twelve months and may roll over on maturity date with new face values and new interest rates, with final repayment of all amounts under the facility due on August 12, 1998. As at December 31, 1993, the interest rate on the note under the facility is approximately 4.17%.

The financing with EDC is guaranteed unconditionally by Canada to a maximum of $230 million and is secured by a $250 million collateral demand debenture over all present and future assets of RTI.

8. CONTRIBUTED CAPITAL

The *Canada Ports Corporation Act* provides that the net revenues from each port under the administration of the Corporation are to be retained for the use of the respective port. Fund transfers between ports can be authorized by the Minister of Transport.

During the year, the Minister of Transport instructed the Corporation to transfer an equal amount of funds from each of five divisional ports to Port of Churchill to provide for the latter's 1993 cash shortfall. An amount of $485,000 (1992—$1,225,000) was transferred in 1993 to Port of Churchill.

9. DEFICIT

At the incorporation of RTI in 1981, 50% of RTI was owned by the Corporation while the remaining 50% was owned by an unrelated party. The shareholders' agreement of RTI provided a condition for the unrelated party to sell its shares to the Corporation in 1991. On July 30, 1991, the Corporation purchased the remaining 50% ownership in RTI and RTI became a wholly-owned subsidiary of the Corporation. The share purchase of $58.5 million was paid in cash and was fully financed by Canada. The excess of purchase price over the assets acquired of $31.7 million less the liabilities assumed of $229.1 million resulted in a loss on acquisition of RTI of $255.9 million which was included in the deficit of the Corporation.

10. INTERPORT LOAN FUND

In 1988, authority was granted by Canada to the Corporation to establish an Interport Loan Fund (the Fund). This Fund is administered by the Corporation and was established to provide financing for financially viable capital projects of the Corporation and local port corporations. Financing is provided by way of transfers to divisional ports managed by the Corporation and by way of loans to local port corporations. Transfers and loans bear interest at the Crown corporation lending rate, the rate in effect from time to time between Canada and Crown corporations. Earnings of the Fund are pursuant to the terms and conditions under which the Fund was established, restricted to the uses for which the Fund was established. However, as instructed by Canada, the Fund also transferred $3.3 million in 1993 and $15 million in 1992 to the Corporation to provide interim financing to RTI. During the year RTI repaid in full the transfers from the Fund.

The balance sheet of the Fund as at December 31 shows:

	1993	1992
	(in thousands of dollars)	
Assets		
Current		
Cash and investments	39,995	5,521
Transfers receivable	1,114	16,119
Loans receivable	149	72
	41,258	21,712
Transfers receivable	47,946	45,530
Loans receivable	6,479	3,428
Allowance for doubtful accounts	(1,671)	(1,955)
	94,012	68,715
Fund Balance		
Contributions from Canada	76,650	56,650
Retained earnings	17,362	12,065
	94,012	68,715

The investments of the Fund, shown at amortized cost, are direct and guaranteed securities of Canada. As at December 31, 1993 and 1992, the market value of the investments approximates their amortized cost.

In 1993, the Fund advanced $3.5 million to divisional ports and $3.2 million to a local port corporation for their respective capital projects. During the year, Canada invested $20 million in the Fund.

The Fund is committed to provide financing of $9.1 million for a financially viable capital project of divisional port in 1994.

CANADA PORTS CORPORATION—*Concluded*

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1993—*Concluded*

The statement of income and retained earnings of the Fund is as follows:

	1993	1992
	(in thousands of dollars)	
Interest income	6,701	5,376
Allowance for doubtful accounts	284	(1,955)
Administrative expenses	(100)	(100)
Net income for the year	6,885	3,321
Retained earnings at beginning of the year	12,065	8,744
Dividend to Canada	(1,588)	
Retained earnings at end of the year	17,362	12,065

11. PENSION PLANS

The annual contributions to the Public Service Superannuation Plan represent the liability of the Corporation for the contributory plan and are recognized in the accounts on a current basis.

As at December 31, 1993, the updated actuarial reports of RTI's non-contributory plan indicate that the actuarial present value of the accrued pension benefits amounts to $4,141,000 ($3,201,000—1992) and the value of the pension fund assets, at market value, amounts to $4,778,000 ($3,745,000—1992). RTI's pension expense for 1993 of $330,000 ($380,000—1992) is actuarially determined.

12. RELATED PARTY TRANSACTIONS

Through common ownership, the Corporation is related to all Government of Canada created departments, agencies and Crown corporations.

In accordance with the *Canada Ports Corporation Act*, operating and administrative costs incurred by the Corporation in the amount of $7,712,000 have been recovered from the local port corporations in 1993 (1992—$8,250,000). These recoveries are offset against the related expenses. Operating expenses include rental costs of $1,766,000 (1992—$1,973,000) charged by a local port corporation. At December 31, 1993, $303,000 (1992—$194,000) of rental costs are included in accounts payable and accrued liabilities. Also included in accounts payable and accrued liabilities is $4,505,000 of interest payable to EDC, a Crown corporation (see Note 7)

Investment income of $3,129,000 (1992—$3,323,000) was earned on Government of Canada securities and interest charges of $42,000 (1992—$87,000) were paid to Canada. Details of other transactions with the Government of Canada are disclosed in Notes 3, 4(b), 7, 9 and 10.

13. CONTINGENCIES

Claims aggregating approximately $2,539,000 in respect of lawsuits, guarantees, employee agreements, damages allegedly suffered on the Corporation's property and sundry other matters in dispute have been received by the Corporation but are not reflected in the accounts. In the opinion of the Corporation, the final outcome of such claims should not result in any material financial liability.

The Corporation assumes all risks with respect to workers' compensation claims. Any costs arising from such claims are recorded in the accounts in the year they can be reasonably estimated.

CANADA POST CORPORATION

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL INFORMATION

Management and the Board of Directors are responsible for the consolidated financial statements and all other information presented in this Annual Report in accordance with the *Financial Administration Act* and regulations. The consolidated financial statements have been prepared by management in accordance with generally accepted accounting principles and, where appropriate, include amounts based on management's best estimates and judgements. Financial information presented elsewhere in this Annual Report is consistent with that in the financial statements.

Canada Post Corporation is dedicated to the highest standards of integrity in its business conduct as reflected in its key written policy statements. To safeguard Company assets, Canada Post Corporation has a sound and dynamic set of internal financial controls and procedures that balance benefits and costs. Management has developed and maintains financial and management controls, information systems and management practices to provide reasonable assurance of the reliability of financial information in accordance with the *Financial Administration Act* and regulations, as well as the *Canada Post Corporation Act* and by-laws of the Corporation. Internal audits are conducted to assess management systems and practices, and reports are issued to the Management Executive Committee and the Audit Committee of the Board.

The Board of Directors ensures that management fulfils its responsibilities for financial information and internal control principally through the Audit Committee, which is composed of six directors, none of whom is an employee of the Corporation. The Audit Committee meets quarterly to oversee the internal audit activities of the Corporation, and at least annually to review the consolidated financial statements and the external auditors' report thereon and recommend them to the Board of Directors for approval.

Each year, the Governor in Council appoints the Corporation's external auditors. Ernst & Young were reappointed for the current fiscal year. They audit the consolidated financial statements and report to the Audit Committee as well as the Minister responsible for Canada Post Corporation.

G.C. Clermont
President and Chief Executive Officer

I.A. Bourne
Senior Vice-President and Chief Financial Officer

AUDITORS' REPORT

TO THE MINISTER RESPONSIBLE
FOR CANADA POST CORPORATION:

We have audited the consolidated balance sheet of Canada Post Corporation as at March 26, 1994, and the consolidated statements of income and retained earnings and cash flow for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at March 26, 1994, and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles. As required by the *Financial Administration Act*, we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in our opinion, the transactions of the Corporation and of its wholly-owned subsidiaries that have come to our notice during our audit of the consolidated financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Canada Post Corporation Act* and the by-laws of the Corporation and its wholly-owned subsidiaries.

Ernst & Young
Chartered Accountants

Ottawa, Canada
May 4, 1994

CANADA POST CORPORATION—*Continued*

CONSOLIDATED BALANCE SHEET
(in thousands of dollars)

ASSETS	March 26 1994	March 31 1993
Current assets		
Cash and short-term investments	30,817	63,417
Accounts receivable	278,827	164,382
Prepaid expenses	63,635	62,928
	373,279	290,727
Segregated cash and investments (Note 6)	187,294	170,145
Capital assets (Note 7)	1,842,184	1,883,675
Other assets (Note 8)	210,080	149,585
	2,612,837	2,494,132

LIABILITIES AND EQUITY OF CANADA	March 26 1994	March 31 1993
Current liabilities		
Accounts payable and accrued liabilities	370,879	292,014
Salaries and benefits	308,271	179,677
Deferred revenues	178,753	171,450
Outstanding money orders	41,369	42,632
	899,272	685,773
Long-term debt (Note 9)	278,994	135,000
Termination and post-retirement benefits	367,682	336,080
EQUITY OF CANADA (Note 10)		
Contributed capital	1,355,172	1,355,172
Deficit	(288,283)	(17,893)
	1,066,889	1,337,279
	2,612,837	2,494,132

The accompanying notes are an integral part of these financial statements.

Approved by the Board:

GEORGES C. CLERMONT
President and Chief Executive Officer

KAY LeMESSURIER
Chairman of the Audit Committee

CANADA POST CORPORATION—*Continued*

CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS
YEARS ENDED
(in thousands of dollars)

	March 26 1994	March 31 1993
Revenue from operations	4,115,554	3,909,372
Cost of operations	4,089,321	3,827,499
Income from operations	26,233	81,873
Other income		
Gain (loss) on disposal of capital assets	(732)	4,396
Interest	3,126	6,927
	2,394	11,323
Other expense		
Restructuring costs (Note 4)	282,053	54,023
Interest (Note 9)	16,964	13,546
	299,017	67,569
Net income (loss)	(270,390)	25,627
Deficit		
Beginning of year	(17,893)	(43,520)
End of year	(288,283)	(17,893)

The accompanying notes are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOW
YEARS ENDED
(in thousands of dollars)

	March 26 1994	March 31 1993
Cash provided by (used for)		
Operating activities		
Net income (loss)	(270,390)	25,627
Items not requiring (providing) cash		
Amortization of capital assets	241,431	163,117
Amortization of goodwill	2,300	
(Gain) loss on disposal of capital assets	732	(4,396)
Accrued termination post-retirement benefits	54,884	31,542
Amortization of deferred development costs	14,808	15,020
	43,765	230,910
Change in non-cash working capital	92,457	(28,686)
Termination and post-retirement benefit payments	(23,282)	(28,112)
	112,940	174,112
Financing activities		
Redemption of preferred shares by subsidiary	(125,000)	
Redemption of and decrease in subordinate notes	(23,806)	
Issuance of senior notes	142,800	
	(6,006)	
Investment activities		
Acquisition of capital assets	(207,889)	(180,099)
Proceeds on disposal of capital assets	148,347	14,535
Business acquisition	(55,000)	
Increase in long-term investments	(7,843)	
Increase in segregated cash and investments	(17,149)	(34,904)
Deferred development costs		(13,924)
	(139,534)	(214,392)
Decrease in cash and short-term investments	(32,600)	(40,280)
Cash and short-term investments at beginning of year	63,417	103,697
Cash and short-term investments at end of year	30,817	63,417

The accompanying notes are an integral part of these financial statements.

CANADA POST CORPORATION—*Continued*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 26, 1994

1. Incorporation

The Corporation was established by the *Canada Post Corporation Act* to operate a postal service on a self-sustaining financial basis while providing a standard of service that will meet the needs of the people of Canada. The Corporation is a Crown corporation included in Part II of Schedule III to the *Financial Administration Act* and is an agent of Her Majesty. Canada Post Corporation is currently exempt from income taxes. However, it has been prescribed for tax purposes and effective March 27, 1994, will be subject to federal income taxation.

2. Significant accounting policies

These consolidated financial statements have been prepared in accordance with generally accepted accounting principles. A summary of the significant accounting policies of the Corporation follows:

(a) Consolidation

The consolidated financial statements of the Corporation include the accounts of Canada Post Corporation and its wholly-owned subsidiaries, Canada Post Systems Management Limited, CINA Holdings B.V. and 2875021 Canada Limited (which has a controlling interest in PCL Courier Holdings Inc.).

Goodwill arising on the acquisition of subsidiaries is amortized on the straight-line basis over 20 years.

(b) Capital assets and amortization

Land, buildings and equipment transferred from the Government of Canada on incorporation were recorded at their fair value at that date, determined as follows:

Land	—market value based on existing use
Buildings	—amortized replacement cost
Plant equipment, vehicles, sales counter and office furniture and equipment, and other equipment	—amortized replacement cost or original cost less estimated amortization

The market value of land and the amortized replacement cost of buildings transferred by the Government of Canada were determined by independent appraisals.

Acquisitions subsequent to incorporation are recorded at cost.

The Corporation has an agreement with both the National Archives of Canada and the Canadian Museum of Civilization to operate, administer and maintain a Canadian Postal Archives and a National Postal Museum, respectively, containing philatelic material, postal artifacts, a postal library and exhibits that trace the history of the mail and other memorabilia. These collections, exhibits and books of undetermined value are not for resale and are recorded at a nominal cost.

Amortization is provided on the straight-line basis over the estimated useful lives of the following assets:

Buildings	30 and 40 years
Plant equipment	4 to 30 years
Vehicles (other than passenger and light-duty commercial)	6 to 10 years
Sales counter and office furniture and equipment	5 to 20 years
Other equipment	5 to 15 years

Amortization is provided on the diminishing balance basis at an annual rate of 30 per cent for all passenger and light-duty commercial vehicles.

(c) Deferred development costs

Costs incurred in the development of new mail products and the retail postal network are deferred and amortized on the straight-line basis over the expected period of economic benefit.

(d) Revenue recognition

Amounts received for which services have not been rendered prior to the end of the year are deferred.

(e) Termination and post-retirement benefits

Employees are entitled to specified termination benefits, calculated at salary levels at the time of termination, as provided under collective agreements and conditions of employment. The present value of the projected costs of termination benefits, as determined by actuarial valuation, is recorded in the accounts as a long-term liability. Such benefits accruing to employees, as well as gains and losses arising from actuarial valuation, are included in current operations.

In addition, the Corporation provides certain health care benefits to eligible retirees. Current service costs have been determined by actuarial valuation and included in current operations. Past service costs have also been determined by actuarial valuation and are being amortized over the expected average remaining service life of the employee population.

(f) Pension plan

Employees of the Corporation are covered by the Public Service Superannuation Plan administered by the Government of Canada. Under present legislation, contributions made by the Corporation to the Plan are limited to an amount equal to the employees' contributions on account of current service. These contributions, which amounted to $89,964,000 (1993—$102,976,000), are included in current operations. The Corporation is not required under present legislation to make contributions with respect to actuarial deficiencies of the Public Service Superannuation Account and/or with respect to the Consolidated Revenue Fund for indexation payments under the *Supplementary Retirement Benefits Act*.

CANADA POST CORPORATION—*Continued*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 26, 1994—*Continued*

3. Change in fiscal year

During the year the Corporation implemented a change in its fiscal year to end on the last Saturday in March, representing 52 weeks, in order to better align reporting to its operations which are managed on a weekly basis. Comparative figures are shown for the twelve months ended March 31, 1993.

4. Restructuring costs

During the year, the Corporation completed a program of significant initiatives to establish a more efficient and effective postal system. Costs included the development and implementation of management and operating systems as well as the realignment of resources.

In addition, the Corporation has established a non-recurring restructuring charge relating to a multi-year program of network changes to rationalize and consolidate facilities and organization.

5. Business acquisition

Effective November 26, 1993, the Corporation's wholly-owned subsidiary, 2875021 Canada Limited, acquired for $55,000,000 a 75% interest in PCL Courier Holdings Inc., which owns all of the shares of Purolator Courier Limited. This acquisition was accounted for by the purchase method with the results of operations being included in the Corporation's consolidated financial statements from the date of acquisition. Net assets acquired consist of total assets of $152,792,000, total liabilities of $235,262,000 (including long-term debt of $150,000,000) and goodwill of $137,470,000. Incremental costs specifically identifiable to the purchase have been added to the cost of the acquisition.

Tax loss carry-fowards of approximately $46,000,000 are available to reduce its future income taxes expiring by the year 2000. The benefit of these tax loss carry-forwards and $8,000,000 of net unclaimed tax deductions have not been recognized in the Corporation's consolidated financial statements.

6. Segregated cash and investments

The Corporation has segregated certain cash and investments, recorded at cost, for the purpose only of managing cash flows relating to the employee termination benefits liability.

7. Capital assets

	1994			1993
	Cost	Accumulated amortization	Net	Net
	(in thousands of dollars)			
Land	289,388		289,388	211,170
Buildings	1,284,340	569,073	715,267	780,756
Plant equipment	797,633	368,293	429,340	428,548
Vehicles	109,711	93,997	15,714	22,444
Sales counter and office furniture and equipment	257,413	125,268	132,145	217,136
Other equipment	373,481	113,152	260,329	223,620
Collection of postal memorabilia	1		1	1
	3,111,967	1,269,783	1,842,184	1,883,675

8. Other assets

	1994	1993
	(in thousands of dollars)	
Goodwill, net of accumulated amortization	135,170	
Mortgage receivable		63,900
Deferred development costs	34,061	48,869
Investment in G.D. Net B.V., at cost	35,568	32,388
Other	5,281	4,428
	210,080	149,585

As part of a real estate agreement, the Corporation acquired certain property in exchange for the discharge of the mortgage receivable.

9. Long-term debt

	1994	1993
	(in thousands of dollars)	
10 year loan from the Government of Canada due April 1998, interest at 9.705%	80,000	80,000
Non-redeemable bonds maturing March 2016 interest at 10.35%	55,000	55,000
US $105,000 10 year Senior Notes issued by Purolator Courier Limited, due March 2004, interest at 8.83%, principal payments due in equal instalments over the last five years of the term. In connection with this unguaranteed debt, Purolator Courier Limited has given its lender a security interest in substantially all of its assets. Under the indenture, Purolator Courier Limited is subject to certain financial and other covenants throughout the debt term.	142,800	
Purolator Courier Limited entered into currency swaps covering all principal and interest payments and, as a result, the principal balance has been effectively converted to CAN $142,800 at 10.1%		
Subordinate notes issued by PCL Courier Holdings Inc. due October 1998, interest at 12.5%	1,194	
	278,994	135,000

Interest expense on long-term debt was $15,284,000 (1993—$13,457,000).

CANADA POST CORPORATION—*Concluded*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 26, 1994—*Concluded*

10. Equity of Canada

The *Canada Post Corporation Act* has been amended to provide for the establishment of a share capital structure. The Corporation is authorized to issue shares to the Government of Canada based on the net asset value of the Corporation on the date of the first issue of shares, as determined by the Board of Directors, with the approval of the Treasury Board.

11. Contingencies

(a) Two complaints have been filed with the Canadian Human Rights Commission alleging discrimination by the Corporation concerning work of equal value. The Commission is still presenting its evidence before the Tribunal with respect to one complaint and has not begun its investigation of the second. The outcome of these complaints is not currently determinable. Settlement, if any, arising from resolution of these matters will be recovered in future postal rates (as determined in accordance with the *Canada Post Corporation Act*) and/or from the Government of Canada.

(b) Employees are permitted to accumulate unused sick leave. However, such leave entitlements do not vest and can be used only in the event of illness. The amount of accumulated sick leave entitlements which will become payable in future years cannot reasonably be determined. Payments of sick leave benefits are included in current operations.

(c) Labour contracts between the Corporation and certain bargaining units have expired and are at various stages of negotiation, the outcome of which is not currently determinable. These labour contracts represent approximately 10,700 full-time and 3,700 part-time employees in total and consist of the following bargaining units: Public Service Alliance of Canada, Canadian Postmasters and Assistants Association, Association of Postal Officials of Canada, International Brotherhood of Electrical Workers and The Professional Institute of the Public Service of Canada (PIPS).

12. Commitments

During the year, the Corporation entered into a 10 year outsourcing agreement for certain computing and communication utility services. The Corporation's future minimum payments required under this agreement as well as facilities and other operating leases with terms in excess of one year, are as follows:

	(in thousands of dollars)
1995	185,699
1996	160,141
1997	131,305
1998	115,769
1999	97,513
2000 and thereafter	415,430
	1,105,857

13. Related-party transactions

The Corporation had the following transactions with related parties in addition to those disclosed elsewhere in these consolidated financial statements.

(a) Payments on behalf of postal users

Where Government policy requires the Corporation to provide services at rates less than costs to the publications industry, and for Government free mail, literature for the blind and Northern air stage services, the Government of Canada compensates the Corporation for foregone postage revenue from those sources. Revenues amounting to $114,900,000 (1993—$147,983,000) are included in revenue from operations.

(b) Property management

The Corporation has incurred net operating costs of $186,248,000 (1993—$213,154,000) in respect of a property management arrangement with the Department of Public Works to manage substantially all the Corporation's real property. In addition, capital expenditures amounted to $7,373,000 (1993—$8,619,000).

(c) Other

The Corporation has other transactions with the Government of Canada, its agencies and other Crown corporations. These include the provision of postal services and the purchase of rail transportation.

As a result of all the above transactions, the amounts due from and to these parties are $34,415,000 (1993—$23,401,000) and $80,750,000 (1993—$111,900,000) respectively.

CANADIAN BROADCASTING CORPORATION

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The financial statements and all other information presented in this annual report are the responsibility of management and have been reviewed and approved by the Board of Directors of the Corporation. These financial statements, which include amounts based on management's best estimates as determined through experience and judgement, have been properly prepared within reasonable limits of materiality and are in accordance with generally accepted accounting principles.

Management of the Corporation maintains books of account, records, financial and management control, and information systems, which are designed for the provision of reliable and accurate financial information on a timely basis. These controls provide reasonable assurance that assets are safeguarded, that resources are managed economically and efficiently in the attainment of corporate objectives, that operations are carried out effectively and that transactions are in accordance with the *Broadcasting Act* and the by-laws of the Corporation.

The Corporation's Internal Auditor has the responsibility for assessing the Corporation's systems, procedures and practices. The Auditor General of Canada conducts an independent audit of the annual financial statements and reports on his audit to the Canadian Broadcasting Corporation and the Minister of Canadian Heritage.

The Board of Directors' Audit Committee, which consists of seven members, none of whom is an officer of the Corporation, reviews and advises the Board on the financial statements and the Auditor General's report thereto. The Audit Committee oversees the activities of Internal Audit and meets with management, the Internal Auditor and the Auditor General on a regular basis to discuss the financial reporting process as well as auditing, accounting and reporting issues.

A. Manera
President

S. Cotsman
Vice-President, Finance
and Administration

AUDITOR'S REPORT

TO THE BOARD OF DIRECTORS OF THE
CANADIAN BROADCASTING CORPORATION
AND THE MINISTER DESIGNATE OF CANADIAN HERITAGE

I have audited the balance sheet of the Canadian Broadcasting Corporation as at March 31, 1994 and the statements of income and expense and reconciliation to government funding basis, proprietor's equity account and cash flow for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 1994 and the results of its operations and the changes in its cash flow for the year then ended in accordance with generally accepted accounting principles. As required by the *Broadcasting Act*, I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Corporation that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with Part III of the *Broadcasting Act* and the by-laws of the Corporation.

L. Denis Desautels, FCA
Auditor General of Canada

Ottawa, Canada
June 2, 1994

CANADIAN BROADCASTING CORPORATION—*Continued*

BALANCE SHEET AS AT MARCH 31, 1994
(in thousands of dollars)

ASSETS	1994	1993
Current		
Cash and short-term investments	36,045	68,330
Accounts receivable	87,375	86,177
Programs completed and in process of production	101,559	96,626
Prepaid film and script rights and other expenses	77,541	50,042
	302,520	301,175
Investments (Note 7)	3,250	2,200
Capital assets (Note 8)	1,274,554	1,266,936
Deferred charges (Note 9)	1,717	12,530
	1,582,041	1,582,841

LIABILITIES	1994	1993
Current		
Accounts payable and accrued liabilities	157,688	166,093
Accrued vacation pay	57,900	61,180
Accrued interest on capital lease	17,345	21,738
	232,933	249,011
Long-term		
Employee termination benefits	113,589	112,121
Deferred pension liability (Note 10)	27,712	
Advances from Government of Canada (Note 11)	33,000	33,000
Obligation under capital lease (Note 12)	417,985	414,388
	592,286	559,509
PROPRIETOR'S EQUITY		
Proprietor's equity account	756,822	774,321
	1,582,041	1,582,841

The accompanying notes and Schedule A form an integral part of the financial statements.

S. COTSMAN
Vice President, Finance and Administration

Approved on behalf of the Board of Directors:

A. MANERA
Director

ALAIN PARIS
Director

CANADIAN BROADCASTING CORPORATION—*Continued*

STATEMENT OF INCOME AND EXPENSE
AND RECONCILIATION TO GOVERNMENT
FUNDING BASIS
FOR THE YEAR ENDED MARCH 31, 1994
(in thousands of dollars)

	1994	1993
Income		
Parliamentary operating appropriation (Note 3)	954,662	959,062
Net advertising	299,282	305,574
Miscellaneous	75,128	67,265
	1,329,072	1,331,901
Expense		
Television services (see Schedule A)	985,336	942,680
Radio services (see Schedule A)	324,789	307,389
Corporate management and engineering services	63,724	63,915
Selling and merchandising	48,699	47,580
Specialty services (Note 4)	46,854	33,401
Expense reduction programs (Note 5)	9,338	10,659
Total expense before taxes	1,478,740	1,405,624
Income and large corporation taxes (Note 6)	2,708	2,691
Total expense after taxes	1,481,448	1,408,315
Excess of expense over income	152,376	76,414
Reconciliation to government funding basis		
Deduct: Net items not requiring current operating funds (Note 3)	155,194	96,677
Surplus for the year	2,818	20,263
Surplus (deficit) beginning of year	19,169	(1,094)
Surplus, end of year	21,987	19,169

The accompanying notes and Schedule A form an integral part of the financial statements.

SCHEDULE OF TELEVISION AND RADIO SERVICES
EXPENSE
FOR THE YEAR ENDED MARCH 31, 1994
(in thousands of dollars) SCHEDULE A

	1994	1993
Television Services		
Program Activities		
English		
Network	399,761	376,100
Regional contributions to network	64,714	60,465
Regional	87,958	81,103
French		
Network	255,768	245,297
Regional contributions to network	24,630	24,780
Regional	39,275	37,704
	872,106	825,449
Distribution Activities		
Network/station distribution	95,378	99,281
Payments to private stations	17,852	17,950
	113,230	117,231
	985,336	942,680
Radio Services		
Program Activities		
English		
Network	73,602	64,776
Regional contributions to network	25,045	23,311
Regional	77,808	74,864
French		
Network	49,998	50,587
Regional contributions to network	10,198	7,944
Regional	44,311	43,032
	280,962	264,514
Distribution Activities	43,827	42,875
	324,789	307,389

The accompanying notes form an integral part of the financial statements.

CANADIAN BROADCASTING CORPORATION—*Continued*

STATEMENT OF PROPRIETOR'S EQUITY ACCOUNT
FOR THE YEAR ENDED MARCH 31, 1994
(in thousands of dollars)

	1994	1993
Balance, beginning of year	774,321	700,051
Add (deduct):		
Parliamentary appropriations (Note 3)		
Capital	130,877	146,684
Working capital	4,000	4,000
Surplus for the year	2,818	20,263
Net items not requiring current operating funds (Note 3)	(155,194)	(96,677)
Balance, end of year	756,822	774,321

The accompanying notes and Schedule A form an integral part of the financial statements.

STATEMENT OF CASH FLOW
FOR THE YEAR ENDED MARCH 31, 1994
(in thousands of dollars)

	1994	1993
Operating Activities		
Excess of expense over income	(152,376)	(76,414)
Less: Capital related items	(1,673)	467
Items not involving cash		
Amortization of capital assets	127,727	80,311
Investment		(2,200)
Amortization of deferred charge	710	710
Employee termination benefits	1,468	(1,270)
Deferred pension contribution	37,815	3,267
Net change in non-cash working capital balances (Note 13)	(49,512)	18,138
	(35,841)	23,009
Financing Activities		
Parliamentary appropriations (Note 3)		
Capital	130,877	146,684
Working capital	4,000	4,000
Proceeds on disposal of capital assets and investment/financing from other organizations	3,349	3,327
Capital lease obligations assumed	4,211	413,774
	142,437	567,785
Investing Activities		
Acquisition of capital assets	(132,509)	(149,375)
Capital portion of lease payments	(811)	(180)
Building and equipment acquired under capital lease	(4,211)	(413,774)
Investment in joint venture	(1,350)	
	(138,881)	(563,329)
(Decrease) increase in cash and short-term investments	(32,285)	27,465
Cash and short-term investments, beginning of year	68,330	40,865
Cash and short-term investments, end of year	36,045	68,330

The accompanying notes and Schedule A form an integral part of the financial statements.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 1994

1. AUTHORITY AND OBJECTIVE

The Canadian Broadcasting Corporation was first established by the 1936 *Canadian Broadcasting Act* and continued by the 1958, 1968 and 1991 *Broadcasting Acts*. The Corporation is an agent of Her Majesty and all property acquired by the Corporation is the property of Her Majesty.

As the national public broadcaster, the Canadian Broadcasting Corporation provides radio and television services in both official languages incorporating predominantly and distinctively Canadian programs to reflect Canada and its regions to national and regional audiences.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) PARLIAMENTARY APPROPRIATIONS

Parliamentary appropriations are provided for operating expenditures in accordance with Government of Canada policy for funding current operations and are recorded as income. Parliamentary appropriations for capital and working capital are credited to Proprietor's Equity Account.

(b) PROGRAMS COMPLETED AND IN PROCESS OF PRODUCTION

Programs completed and in process of production are stated at cost. Cost includes the cost of goods and services, and the share of labour and overhead expenses applicable to programs.

Program costs are charged to operations as the programs are broadcast or deemed unusable.

(c) FILM RIGHTS

The Corporation enters into contracts for film broadcasting rights. As payments are made under the terms of each contract they are reflected in the accounts as prepaid film rights. The film rights are charged to operations as the films are broadcast or deemed unusable.

(d) CAPITAL ASSETS

Capital assets are recorded at cost. The cost of assets constructed by the Corporation includes material, engineering services, direct labour and related overhead. Amortization is calculated on the straight-line method using rates based on the estimated useful life of the assets as follows:

Buildings	33 years
Technical equipment	
Transmitters and towers	20 years
Other	10 years
Furnishings and office equipment	10 years
Automotive	5 years
Computers	5 years

Major leasehold improvements are capitalized and amortized over the term of the respective leases to a maximum period of five years. Amounts included in uncompleted capital projects are transferred to the appropriate capital asset classification upon completion, and are then amortized according to the Corporation's policy.

CANADIAN BROADCASTING CORPORATION—*Continued*

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 1994—*Continued*

(e) CAPITAL LEASES

Assets recorded as capital leases are amortized on the straight-line method over the estimated useful life of the assets or the lease term as appropriate. Obligations recorded under the capital leases are reduced by lease payments net of imputed interest.

(f) PENSION COST AND OBLIGATION

The Corporation provides pensions based on length of service and final average earnings as classified under a number of defined benefit retirement pension arrangements. The administrative costs associated to the management of the pension arrangements are absorbed by the Corporation.

The cost of pension benefits earned by employees is determined using the projected benefit method of actuarial valuation with projected salary increases where appropriate, pro-rated on services and charged to expense as services are rendered. This cost reflects management's best estimate of the pension fund's expected investment yields, and of salary escalations, mortality of members, terminations and ages at which members will retire. The surplus on the introduction of this accounting policy, adjustments arising from plan amendments, experience gains and losses and changes in assumptions are amortized over the estimated average remaining service life of the employee group.

The difference between the accumulated amounts expensed and the funding contributions is reflected in the balance sheet as a long term deferred charge or deferred pension liability as the case may be.

(g) EMPLOYEE TERMINATION BENEFITS AND VACATION PAY

Employee termination benefits and vacation pay are expensed as benefits accrue to employees under their respective terms of employment.

(i) Termination benefits are calculated on an actuarial basis taking into account the future expected payments, the probabilities of payment and discount to the valuation date. The present value of the projected cost is recorded in the accounts as a long-term liability.

(ii) Vacation pay is valued at cost calculated at salary levels in effect at the end of the year for all unused vacation pay benefits accruing to employees.

3. PARLIAMENTARY APPROPRIATIONS

The Corporation receives funds from the Parliament of Canada through annual appropriations. The appropriations approved and the payments received by the Corporation for 1994 and 1993 are noted below.

	1994	1993
	(in thousands of dollars)	
Appropriations		
Operating	954,662	959,062
Capital	130,877	146,684
Working Capital	4,000	4,000
	1,089,539	1,109,746

The following summarizes the reconciling items between the statement of income and expense and the government funding basis.

	1994	1993
	(in thousands of dollars)	
Items included in the statement of income and expense not requiring or generating current operating funds		
Income items related to capital assets:		
(Gain) Loss on disposal of capital assets and investment	(168)	3,152
Contribution to capital projects	(1,505)	(2,685)
	(1,673)	467
Income item related to operating activities:		
Investment		(2,200)
Expense related to operating activities:		
Amortization of capital assets	127,727	80,311
Interest expense on capital lease	17,345	21,738
Employee termination benefits and vacation pay	(1,812)	2,864
Program inventory costs	(2,681)	(9,770)
Deferred pension contribution	38,026	3,267
	178,605	98,410
Deduct:		
Item not included in the statement of income and expense which requires current operating funds	21,738	
Net items not requiring current operating funds	155,194	96,677

4. SPECIALTY SERVICES

The Corporation operates two specialty services, including CBC Newsworld and Radio Canada International (RCI) and operated the Parliamentary Channels until the cancellation of the agreement with the Speaker of the House effective September 30, 1992. RCI is operated under agreement with the Minister of Foreign Affairs, whereby the cost of the service is recovered from their funding.

The total cost of the specialty channels for the year and comparative results for 1993 were as follows:

	1994	1993
	(in millions of dollars)	
Cost of specialty services	63.0	48.7
Less government assistance	16.1	15.3
Net expense	46.9	33.4

CANADIAN BROADCASTING CORPORATION—*Continued*

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 1994—*Continued*

CBC NEWSWORLD

The Corporation operates CBC Newsworld under a license condition that the operation be reported on an incremental cost/revenue basis. In compliance with the license condition, the Corporation will report the following results for 1994 and has reported the comparative figures for 1993 to the Canadian Radio-television and Telecommunications Commission.

	1994	1993
	(in millions of dollars)	
Newsworld		
Incremental costs	46.0	33.1
Incremental revenues	47.3	32.7

As at March 31, 1994, the cumulative excess incremental revenues maintained for CBC Newsworld's future activities totalled $1.7 million. These activities are an integral part of the operations of the Corporation. The incremental costs are included in the above specialty services expense and the incremental revenues are reported as income.

5. EXPENSE REDUCTION PROGRAMS

In 1993-94 the Board of Directors approved the continuation of productivity and efficiency measures implemented in 1991-92 and 1992-93 to address projected funding shortfalls related to future years activities in order to avoid the need to reduce services. Expenses for this program relate primarily to employee voluntary separations and are summarized as follows:

	1994	1993
	(in millions of dollars)	
Expenditures		
—Items requiring current operating funds	15.1	16.1
—Items not requiring current operating funds	0.3	
Total Expenditures	15.4	16.1
—Less items expensed in previous years	6.1	5.4
Net expense	9.3	10.7

6. INCOME AND LARGE CORPORATION TAXES

The Corporation is a prescribed federal Crown corporation under part LXXI of the Income Tax Regulations and is subject to the provisions of the *Income Tax Act* (Canada). The Corporation is not subject to provincial income taxes.

During the year, the Corporation incurred large corporations tax of $2.7 million.

The Corporation has net timing differences resulting from revenue and expense items reported for tax purposes in different periods than for accounting purposes of $123.9 million (1993—$102.5 million). These timing differences generally result from the accrual of pension and severance pay costs, and capital cost allowance on its long term capital lease where funding for the lease obligation is provided over several years. Capital cost allowance is not claimed on other capital assets as the related capital funding is usually received in full in the same year in which the asset is acquired. The benefit of these timing differences has not been recognized in the financial statements.

7. INVESTMENT

(a) Bramalea

In connection with the Canadian Broadcasting Centre in Toronto, the Corporation entered into agreements, in 1989, with Bramalea Limited (Bramalea) providing for the development of a hotel/condominium complex and the future transfer of the air rights related to the condominium. On November 9, 1992, the Corporation received official notification from Bramalea that it was not in a financial position to honour its existing contractual arrangements with the CBC. On February 12, 1993, a Memorandum of Settlement was signed by both parties whereby all outstanding claims between the parties were settled. In part, the consideration to the Corporation included non-monetary compensation in the form of common shares and common share purchase warrants of Bramalea. During the course of the 1993-94 fiscal year, the Corporation sold a portion of these shares.

(b) Northbridge Programming Inc.

The Corporation has entered into a joint venture agreement for the marketing of services which will provide schedules of primarily Canadian programs in non-Canadian markets. The Corporation has proposed that such venture is the most effective way of marketing CBC programs in these markets. As at March 31, 1994 the Corporation had invested $1.3 million accounted for by the equity method. The funds within the venture were primarily maintained in cash and short-term investments.

8. CAPITAL ASSETS

	1994			1993
	Cost	Accumulated amortization	Net book value	Net book value
	(in thousands of dollars)			
Land	36,362		36,362	36,188
Buildings	315,454	158,220	157,234	159,712
Technical equipment	976,027	512,610	463,417	426,246
Furnishings, office equipment and computers	59,374	34,628	24,746	31,995
Automotive	23,956	13,605	10,351	5,832
Leasehold improvements	4,780	3,948	832	1,152
Property under capital leases	511,223	16,198	495,025	500,884
Uncompleted capital projects	86,587		86,587	104,927
	2,013,763	739,209	1,274,554	1,266,936

9. DEFERRED CHARGES

(a) CBC NEWSWORLD

In the fiscal year 1988-89 the Corporation was granted a license to operate CBC Newsworld which was renewed in 1992-93 for a period of seven years. Total development costs amounting to $6.5 million at August 31, 1989 are being amortized over a seven year period commencing September 1, 1989. Amortization for the year amounted to $0.7 million (1993—$0.7 million). The balance of the deferred charge for CBC Newsworld is $1.7 million at March 31, 1994.

(b) DEFERRED PENSION CONTRIBUTION (1992-93)

See Note 10.

CANADIAN BROADCASTING CORPORATION—*Continued*

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 1994—*Continued*

10. DEFERRED PENSION LIABILITY

Projections from the latest actuarial valuations show an estimated present value of accrued pension benefits of $2,282.2 million as at March 31, 1994 (1993—$2,156.5 million) which includes $9.5 million (1993—$8.2 million) of unfunded retirement benefits. Market related values have been used for valuing pension fund assets which, based on financial information as at March 31, 1994, are valued at $2,292.2 million (1993—$2,230.5 million).

The deferred pension liability as at March 31, 1994 amounts to $27.7 million (1993—$10.1 million, deferred charge) and is the difference between the accumulated pension expense and the required funding contributions.

During the year ended March 31, 1994 the Corporation continued to temporarily suspend its contributions to the CBC pension fund as approved by the Board of Directors and initiated in January 1993.

11. ADVANCES FROM GOVERNMENT OF CANADA

Advances from the Government of Canada totalling $33.0 million accumulated to the year ended March 31, 1981. These non-interest bearing advances were made for working capital purposes and become repayable when cash and short-term investments exceed the Corporation's working capital requirements.

Effective in the fiscal year ending March 31, 1982, the Corporation was provided a separate yearly parliamentary appropriation for working capital purposes.

12. CAPITAL LEASE

CANADIAN BROADCASTING CENTRE, TORONTO

In accordance with Governor in Council approval, the Corporation signed a project agreement, dated September 30, 1988, with Cadillac Fairview Corporation Limited, as the selected developer, for the construction of the Canadian Broadcasting Centre, on the Corporation's site in downtown Toronto.

Upon basic completion of the building, as defined in the agreement to lease between the Corporation and Cadillac Fairview, dated October 14, 1988, the Corporation executed the Broadcast Centre building lease on August 31, 1991, which has a term extending to August 30, 2038. The Corporation is committed to pay rent under all circumstances and in the event of termination of the lease, at the Corporation's option or otherwise, pay sufficient rent to repay all interim and permanent financing on the building. However, management intends to completely discharge its obligation under the lease and obtain free title to the Canadian Broadcasting Centre in 30 years from the date where long-term financing is obtained.

Substantial completion of the building was reached on July 9, 1992 at which time the Corporation took occupancy of the building and recorded the capital lease. As at March 31, 1994, the property under capital lease was recorded at $509.9 million of which $481.7 million was financed through the developer and the balance of $28.2 million was CBC capital expenditures related to the building. Over the past 6 years, funds totalling $63.7 million primarily generated from site related land revenues, were advanced to the developer by the Corporation thereby reducing the capital obligation to $418.0 million.

During 1992-93, following substantial completion, and prior to the rent commencement date of April 1, 1993, there was a rent free period during which time interest amounting to $21.7 million accrued on the outstanding obligation. In addition, during 1993-94 interest and executory costs amounted to $23.8 million. These amounts were offset by lease payments of $28.2 million resulting in a net accrued interest obligation of $17.3 million. As a result the total lease obligation at March 31, 1994 was $435.3 million.

Future minimum lease payments, by year and in aggregate, under the capital lease consisted of the following at March 31, 1994:

	(in thousands of dollars)
1995	31,293
1996	33,872
1997	35,601
1998	37,541
1999	40,316
Thereafter (*)	1,242,640
Total minimum future payments (*)	1,421,263
Deduct: Imputed interest	(1,003,278)
Present value of minimum capital lease obligation	417,985
Accumulated interest obligation	17,345
Obligation under capital lease	435,330

(*) Consistent with its intention, management has estimated the total amounts payable under the capital lease based on interest rates considered probable for such financing amortized over a 30 year period.

13. NET CHANGE IN NON-CASH WORKING CAPITAL BALANCES

	1994	1993
	(in thousands of dollars)	
Cash provided by (used for):		
Accounts receivable	(1,198)	15,968
Programs completed and in process of production	(4,933)	(21,932)
Prepaid film and script rights and other expenses	(27,499)	665
Accounts payable and accrued liabilities	(8,405)	(3,466)
Short-term portion of capital leases	196	(16)
Accrued vacation pay	(3,280)	5,181
Accrued interest obligation	(4,393)	21,738
	(49,512)	18,138

CANADIAN BROADCASTING CORPORATION—*Concluded*

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 1994—*Concluded*

14. COMMITMENTS

(a) PROGRAM RELATED

As at March 31, 1994, future years' commitments for sports rights amounted to $286.7 million; procured programs, film rights and co-productions amounted to $113.7 million for total commitments of $400.4 million.

(b) OPERATING LEASES

As at March 31, the Corporation's obligations related to operating leases are as follows:

	1994	1993
	(in thousands of dollars)	
1994		44,801
1995	30,965	35,520
1996	27,030	28,747
1997	23,842	8,177
1998	9,234	7,323
1999	6,544	6,372
2000-2062	8,852	5,443
Total future payments	106,467	136,383

15. CONTINGENCIES

In the ordinary course of business, various claims and lawsuits have been brought against the Corporation. In the opinion of management, the losses, if any, which may result from the settlement of these matters are not likely to be material and accordingly no provision has been made in the accounts of the Corporation. In the event that such expenditures were incurred, they would be recognized as period costs.

16. RELATED PARTY TRANSACTIONS

The Corporation is related in terms of common ownership to all Government of Canada created departments, agencies and Crown corporations and is mainly financed by the Parliament of Canada.

During the year, transactions with these related departments, agencies and Crown corporations were in the normal course of business on normal trade terms applicable to all individuals and enterprises. Transactions with the Government of Canada are outlined in Notes 3, 4 and 11.

17. COMPARATIVE FIGURES

Certain of the 1993 comparative figures have been reclassified to conform to the current year's presentation.

CANADIAN COMMERCIAL CORPORATION

MANAGEMENT RESPONSIBILITY FOR FINANCIAL STATEMENTS

The financial statements of the Canadian Commercial Corporation and all information in this annual report are the responsibility of management and have been approved by the Board of Directors. The statements have been prepared in accordance with generally accepted accounting principles, using management's best estimates and judgements, where appropriate. Financial information presented elsewhere in the annual report is consistent with the statements.

In discharging its responsibility for financial reporting, management maintains and relies on financial and management control systems and practices which are designed to provide reasonable assurance that transactions are authorized, assets are safeguarded, and proper records are maintained. These controls and practices are intended to ensure the orderly conduct of business, the accuracy of accounting records, the timely preparation of reliable financial information and adherence to Corporate policies and statutory requirements.

The Audit Committee, which is made up of the Corporation's President and all the members of the Board of Directors, oversees management's responsibilities for maintaining adequate control systems and the quality of financial reporting. The Corporation's external auditors and those conducting its internal audits have full and free access to the Audit Committee to discuss the results of their work and to express their concerns and opinions.

The independent auditor, the Auditor General of Canada, is responsible for auditing the transactions and financial statements of the Corporation, and for issuing his report thereon.

Ranald A. Quail
President

F.O. Kelly
Director, Finance, Human Resources & Administration

AUDITOR'S REPORT

TO THE MINISTER DESIGNATE OF PUBLIC WORKS AND GOVERNMENT SERVICES

I have audited the balance sheet of the Canadian Commercial Corporation as at March 31, 1994 and the statements of operations, equity of Canada and changes in financial position for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 1994 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles. As required by the *Financial Administration Act*, I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Corporation that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Canadian Commercial Corporation Act* and by-laws of the Corporation.

Raymond Dubois, FCA
Deputy Auditor General
for the Auditor General of Canada

Ottawa, Canada
June 10, 1994

CANADIAN COMMERCIAL CORPORATION—*Continued*

BALANCE SHEET AS AT MARCH 31, 1994
(in thousands of dollars)

ASSETS	1994	1993
Cash and short-term deposits (Note 5)	94,167	127,702
Accounts receivable (Note 6)	99,308	96,871
Advances to suppliers	86,664	52,848
Progress payments to suppliers	110,492	195,758
	390,631	473,179

LIABILITIES	1994	1993
Accounts payable and accrued liabilities	106,084	108,675
Advances from customers	153,978	148,416
Progress payments from customers	110,110	196,110
Provision for additional contract costs (Note 3)	2,512	3,318
	372,684	456,519
Employee termination benefits	941	849
Contingencies (Note 4)		
	373,625	457,368
EQUITY OF CANADA		
Contributed surplus	10,000	10,000
Retained earnings	7,006	5,811
	17,006	15,811
	390,631	473,179

The accompanying notes are an integral part of the financial statements.

Approved by the Board:

RANALD A. QUAIL
President

FRANK R. PETRIE
Director

CANADIAN COMMERCIAL CORPORATION—*Continued*

STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 1994
(in thousands of dollars)

	1994	1993
Revenues		
Contract billings (Note 7)	880,565	607,355
Interest and other income	1,550	3,481
	882,115	610,836
Expenses		
Cost of contract billings (Note 7)	880,565	607,355
Additional contract costs (recovery)	(391)	2,070
Administrative expense	14,509	15,283
	894,683	624,708
Net cost of operations	12,568	13,872

The accompanying notes are an integral part of the financial statements.

STATEMENT OF EQUITY OF CANADA
FOR THE YEAR ENDED MARCH 31, 1994
(in thousands of dollars)

	1994	1993
Contributed Surplus		
Contributed surplus at beginning of year	10,000	20,000
Payment to the Government of Canada (Note 10)		(10,000)
Contributed surplus at end of year	10,000	10,000
Retained Earnings		
Retained earnings at beginning of year	5,811	26,183
Net cost of operations	(12,568)	(13,872)
Parliamentary appropriation (Note 8)	13,763	13,500
Payment to the Government of Canada (Note 10)		(20,000)
Retained earnings at end of year	7,006	5,811

The accompanying notes are an integral part of the financial statements.

STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED MARCH 31, 1994
(in thousands of dollars)

	1994	1993
Financing Activities:		
Parliamentary appropriation drawn down	13,763	13,500
Payment to Government of Canada		(30,000)
Cash provided by (used in) financing activities	13,763	(16,500)
Operating Activities:		
Operations		
Net cost of operations	(12,568)	(13,872)
Net changes in non-cash balance sheet items:		
Operating balances from customers and to suppliers	(5,742)	3,436
Advances and progress payments from customers and to suppliers	(28,988)	(17,918)
Cash used in operating activities	(47,298)	(28,354)
Decrease in cash and short-term deposits	(33,535)	(44,854)
Cash and short-term deposits at beginning of year	127,702	172,556
Cash and short-term deposits at end of year	94,167	127,702

The accompanying notes are an integral part of the financial statements.

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1994

1. Nature, Organization and Funding

The Corporation was established in 1946 by the *Canadian Commercial Corporation Act* and is an agent Crown corporation listed in Part I of Schedule III to the *Financial Administration Act*.

The Corporation acts as the prime contracting agency when other countries and international organizations wish to purchase products and services from Canada on a government-to-government basis. Contracts are made with foreign governments and international organizations and corresponding supply contracts are entered into with Canadian firms by the Corporation (see Note 3).

The Corporation has authority to draw loans from the Consolidated Revenue Fund in amounts up to a total of $10 million as required to supplement its working capital. Annually, the Corporation seeks funding for its operations through parliamentary appropriation (see Note 8).

On June 10, 1993, Bill C-93, *Budget Implementation (Government Organizations) Act 1992*, was defeated in the Senate. Among other provisions, the Bill would have resulted in the Corporation's employees becoming members of the Public Service. Consequently, CCC's staff remain employees of the Corporation.

The Corporation is not subject to the provisions of the *Income Tax Act*.

CANADIAN COMMERCIAL CORPORATION—*Continued*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1994—*Continued*

2. Significant Accounting Policies

These financial statements are prepared in accordance with generally accepted accounting principles. A summary of significant policies follows:

(a) Contracts

The Corporation uses a percentage-of-completion method when accounting for contracts involving progress payments. The cost of contract billings and related revenues are recognized on receipt of progress billings from suppliers. Since title has not yet passed to customers, the Corporation recognizes the progress payments made to suppliers as an asset and the progress payments received from customers as a liability. The related progress payments are reduced when deliveries are accepted by the customer.

Additional contract costs incurred primarily as a result of suppliers failing to fulfil their obligations to the Corporation are determined on a contract-by-contract basis. These costs are recorded in the statement of operations in the year in which the non-performance is identified and the additional costs to be incurred by the Corporation are reasonably determinable.

(b) Foreign Currency Translation

Assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the year-end exchange rates. Revenues and expenses are translated at the average exchange rates for the month in which the transactions occur. Exchange gains arising from translation of foreign currencies are included in other income.

Contracts with foreign governments and corresponding contracts with Canadian suppliers are generally entered into in the same currency. Alternatively, the contract terms in the supplier contract pass the foreign currency risk to the supplier.

The Corporation maintains some working capital in other currencies to facilitate the cash flow between foreign customers and Canadian suppliers.

(c) Pension Plan

Employees of the Corporation are covered by the Public Service Superannuation Plan administered by the Government of Canada. Under present legislation, contributions made by the Corporation to the Plan are limited to an amount equal to the employee's contributions on account of current service. These contributions represent the total pension obligations of the Corporation and are charged to operations on a current basis. The Corporation is not required under present legislation to make contributions with respect to actuarial deficiencies of the Public Service Superannuation Account.

(d) Employee Termination Benefits

Employees of the Corporation are entitled to specified termination benefits, calculated at salary levels in effect at the time of termination, as provided for under collective agreements and conditions of employment. The liability for these benefits is recorded in the accounts as the benefits accrue to employees.

The liability for employee termination benefits is estimated by management based on current entitlements.

3. Contractual Obligations

The Corporation is obligated to fulfil numerous contracts with foreign customers. These contracts range in value to over one billion dollars. The total contract value remaining to be fulfilled approximates $2.1 billion as at March 31, 1994 (1993—$2.4 billion).

The Corporation may incur additional contract costs should suppliers not fulfil the terms of their contracts. The Corporation has recorded a provision of $2,512,000 as of March 31, 1994 (1993—$3,318,000), representing management's best estimate of the additional costs which will be incurred by the Corporation to meet its contractual obligations.

4. Contingencies

(a) The Corporation has been named as defendant in proceedings commenced in 1975 by a supplier alleging losses resulting from the termination of a contract and seeking damages in an amount of $6.8 million plus accrued interest and costs. In 1989, the Court ruled in favour of the Corporation on the determination of one of the major issues between the parties. As of March 31, 1994, the balance of the issues in dispute between the Corporation and its supplier are yet to be heard by the Court. Based on the advice of legal counsel, management is of the opinion that no provision for possible loss in respect of this matter is required. Losses, if any, resulting from this contingency will be accounted for as a charge to income when it is first determined that a loss is likely to occur.

(b) The Corporation has been named as respondent in proceedings commenced in 1987 in which a supplier challenged the applicability of the fee for service system, put in place by the Corporation in 1986, to a transaction between this supplier and the Corporation. The Corporation appealed the judgement of the Court of first instance rendered in 1990 which, *inter alia*, granted this supplier's motion. While the Corporation's accounts include management's best estimate of an amount necessary to settle a claim that could be commenced following an unfavourable judgement, management remains confident of its sound legal position.

5. Cash and Short-Term Deposits

Cash and short-term deposits include notes receivable of $4,417,000 that matured, but have not been repaid due to the financial difficulties encountered by the issuer. These notes receivable are secured by a first mortgage and an assignment of rental income. During the year, management established a valuation allowance of $1,400,000 and payments received of $109,000 (1992-93—nil) were applied to reduce the recorded amount of the notes. Interest has not been accrued on these notes as, in management's opinion, ultimate collection is not reasonably assured.

CANADIAN COMMERCIAL CORPORATION—*Concluded*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1994—*Concluded*

6. Accounts Receivable

As at March 31, 1994 the Corporation has accounts receivable from foreign governments of $97,915,000 (1993—$93,321,000), net of a provision of $1,031,000 (1993—$1,721,000) to cover the possible non-collection of certain accounts.

7. Segmented Information

The Corporation facilitates the sale of Canadian goods to foreign governments and international agencies. Export sales were distributed as follows:

	Years ended March 31	
	1994	1993
	(in thousands of dollars)	
U.S. Government	679,365	437,331
Other Foreign Governments	178,090	144,712
United Nations Agencies	23,110	25,312
	880,565	607,355

8. Parliamentary Appropriation

	Years ended March 31	
	1994	1993
	(in thousands of dollars)	
Parliamentary Appropriation	14,467	14,902
Reductions	704	1,402
Utilized	13,763	13,500

9. Related Party Transactions

The Corporation had the following transactions with related parties in addition to those disclosed elsewhere in these financial statements:

(a) Public Works and Government Services Canada

Public Works and Government Services Canada provides contract management services to the Corporation at predetermined negotiated rates based on the amounts of contracts procured, and provides certain functions at cost. For the year ended March 31, 1994, the cost of these services amounted to $5,430,000 (1993—$5,198,000).

(b) Department of Justice

The Department of Justice represents the Corporation in certain matters. The Corporation pays for legal fees and expenses incurred in connection with specific actions but not for general legal services. For the year ended March 31, 1994, the cost of these legal fees and expenses amounted to $816,000 (1993—$892,000).

(c) Other

The Corporation is related in terms of common ownership to all Government of Canada-created departments, agencies and Crown corporations. The Corporation enters into transactions with these entities in the normal course of business.

As a result of all of the above transactions, the amounts due from and to these parties are $1,001,000 (1993—$36,000) and $647,000 (1993—$1,359,000) respectively.

10. Payment to the Government of Canada

The Corporation made a payment to the Government of Canada in the amount of $30 million; that payment was made on March 29, 1993. Of that amount, the Corporation decided that $20 million would be paid from retained earnings and $10 million represents a reduction in contributed surplus.

11. Insurance

While the Corporation follows the practice of self-insuring, specific insurance is carried relating to fraud, computer hardware and software, travel accident and medical.

12. Commitments

Effective April 1986, the Corporation entered into a ten-year lease agreement for office space. The minimum lease payments for the next two years, and in total, excluding property taxes and operating costs, will approximate the following:

	$
1995	940,000
1996	940,000
	1,880,000

CANADIAN DAIRY COMMISSION

THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED JULY 31, 1994
WERE NOT AVAILABLE AT DATE OF PRINTING

CANADIAN DAIRY COMMISSION—*Continued*

MANAGEMENT RESPONSIBILITY FOR FINANCIAL STATEMENTS

The financial statements of the Canadian Dairy Commission and all information in this annual report are the responsibility of management. The statements have been prepared in accordance with generally accepted accounting principles, using management's best estimates and judgements where appropriate. Financial information presented elsewhere in the annual report is consistent with the statements.

In discharging its responsibility for financial reporting, management maintains and relies on financial and management control systems and practices which are designed to provide reasonable assurance that transactions are authorized, assets are safeguarded, and proper records are maintained. These controls and practices ensure the orderly conduct of business, the accuracy of accounting records, the timely preparation of reliable financial information and the adherence to Commission policies and statutory requirements. The process includes management's annual communication to employees of Treasury Board's guidelines on conflict of interest and code of conduct.

The Audit Committee of the Canadian Dairy Commission, made up of the Commissioners, oversees management's responsibilities for maintaining adequate control systems and the quality of financial reporting. The Commission's internal auditors and external auditors have free access to the Audit Committee to discuss the results of their work and to express their concerns and opinions.

The financial statements have been audited by the Auditor General of Canada, the independent auditor for the Government of Canada.

Roch Morin
Chairman

Paul Simard
Director of Finance

AUDITOR'S REPORT

TO THE MINISTER OF AGRICULTURE

I have audited the balance sheet of the Canadian Dairy Commission as at July 31, 1993 and the statement of operations and financing by producer levies and the statement of dairy support program and costs financed by the Government of Canada for the year then ended. These financial statements are the responsibility of the Commission's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Commission as at July 31, 1993 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles. As required by the *Financial Administration Act*, I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Commission that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Canadian Dairy Commission Act* and the by-laws of the Commission.

D. Larry Meyers, FCA
Deputy Auditor General
for the Auditor General of Canada

Ottawa, Canada
October 7, 1993

CANADIAN DAIRY COMMISSION—*Continued*

BALANCE SHEET AS AT JULY 31, 1993
(in thousands of dollars)

ASSETS	1993	1992	LIABILITIES	1993	1992
Accounts receivable			Accounts payable and accrued liabilities	35,363	34,246
Trade	202	244	Direct support payments payable to producers	37,635	22,365
Government of Canada (Dairy Support Program)	37,652	22,549	Allowance for losses on disposal of surplus production (Note 5)	1,994	32,991
Producer levies (Note 3)	59,344	131,359	Loans from Government of Canada (Note 6)	58,419	150,791
Inventories (Note 5)	73,814	94,722		133,411	240,393
			EXCESS OF FINANCING BY PRODUCER LEVIES		
			Excess at end of year (Note 10)	37,601	8,481
	171,012	248,874		171,012	248,874

The accompanying notes and schedule are an integral part of these financial statements.

Approved:

ROCH MORIN
Chairman

FRANK CLAYDON
Commissioner

PAUL SIMARD
Director of Finance

CANADIAN DAIRY COMMISSION—*Continued*

STATEMENT OF OPERATIONS AND FINANCING
BY PRODUCER LEVIES
FOR THE YEAR ENDED JULY 31, 1993
(in thousands of dollars)

	1993	1992
Export sales	76,416	168,460
Cost of goods sold	106,897	247,727
Loss on export sales	30,481	79,267
Domestic sales	87,489	74,198
Cost of goods sold	88,325	76,687
Loss on domestic sales	836	2,489
Total loss on sales	31,317	81,756
Assistance and expenses	79,724	127,120
Total cost of operations	111,041	208,876
Less portion of administration expenses financed by the Government of Canada	3,378	3,308
Net cost of operations financed by producer levies	107,663	205,568
Financing by producer levies (Note 4)	136,783	219,318
Excess in financing of net cost of operations	29,120	13,750
Excess (deficiency) at beginning of year	8,481	(5,269)
Excess at end of year	37,601	8,481

The accompanying notes and schedule are an integral part of these financial statements.

STATEMENT OF DAIRY SUPPORT PROGRAM AND COSTS
FINANCED BY THE GOVERNMENT OF CANADA
FOR THE YEAR ENDED JULY 31, 1993
(in thousands of dollars)

	1993	1992
Direct support payments to producers of industrial milk and cream	238,728	238,185
Administrative expenses	3,378	3,308
Costs of production and dairy policy studies	445	436
Total costs financed by the Government of Canada	242,551	241,929

The accompanying notes and schedule are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS
JULY 31, 1993

1. The Commission

The Canadian Dairy Commission (the "Commission"), is an agent Crown corporation named in Part I, Schedule III to the *Financial Administration Act* and is not subject to the provisions of the *Income Tax Act*. The objectives of the Commission, as established by the *Canadian Dairy Commission Act*, are "to provide efficient producers of milk and cream with the opportunity of obtaining a fair return for their labour and investment and to provide consumers of dairy products with a continuous and adequate supply of dairy products of high quality".

The Commission administers the dairy support program financed by the Government of Canada, under which it makes direct support payments to producers. In cooperation with the Canadian Milk Supply Management Committee (CMSMC), which it chairs, the Commission undertakes the management and administration of operations financed by producer levies.

The Commission purchases, at Canadian support prices, all butter and skim milk powder tendered to it. While most of the butter purchased by the Commission is later resold in the domestic market, most of the skim milk powder is in excess of domestic needs and is exported. The Commission sells production surplus to domestic requirements in the form of whole milk products, skim milk powder and butter on international markets at the prevailing world prices. Historically, these prices have usually been lower than Canadian support prices. The Commission also pays assistance to processors and exporters to assist them in disposing of dairy products directly.

2. Significant Accounting Policies

Foreign currency translation

Substantially all sales in foreign currencies are hedged by currency conversion agreements and are translated into Canadian dollars at the exchange rates provided therein. Sales in foreign currencies that are not hedged are translated into Canadian dollars at the exchange rate in effect on the transaction date.

Inventories

Inventories are valued at the lower of cost or estimated net realizable value.

Allowance for losses on disposal of surplus production

The Commission establishes an allowance for losses on disposal of surplus production by reference to its outstanding purchase commitments, actual butter inventory levels at year-end relative to the normal levels, and world market prices. The Commission has determined normal year-end butter inventory levels to be 8 million kilograms.

Excess (deficiency) in financing of net cost of operations

Any deficiency or excess in the financing by producer levies of the net cost of operations may be carried forward and applied against future operations or recovered from or refunded to producers as determined by the Canadian Milk Supply Management Committee. Recoveries or refunds are recorded in the year declared.

CANADIAN DAIRY COMMISSION—*Continued*

NOTES TO FINANCIAL STATEMENTS
JULY 31, 1993—*Continued*

Pension plan

Employees participate in the Public Service Superannuation Plan administered by the Government of Canada. The Commission's contributions to the plan are limited to matching the employee's contributions for current service. These contributions are expensed during the year in which services are rendered and represent the total pension obligations of the Commission.

3. Producer Levies Receivable

The province of British Columbia disagrees with the calculation of the Market Sharing Quota it is allocated under a 1984 amendment to the *National Milk Marketing Plan*. As a result, an amount of $3.7 million of over-quota levy pertaining to the 1991-92 and 1992-93 dairy years is included in the producer levies receivable account and remains uncollected. The province and the Commission have agreed to work towards a resolution of this issue. Should the Commission accept the calculation proposed by British Columbia, the quota allocation of the other members of the *National Milk Marketing Plan*, for the affected years, would have to be modified accordingly.

4. Financing

Government of Canada (Dairy Support Program)

Agriculture Canada provides financing to the Commission for direct support payments to producers of eligible industrial milk and cream up to maximum amounts authorized by the regulations. Effective August 1, 1993, the rate of direct support payments was reduced from $1.675 to $1.508 per kilogram of butterfat ($6.03 to $5.43 per hectolitre of milk containing 3.6 kilograms of butterfat).

A major portion of the Commission's administrative expenses as well as professional services relating to cost of production and other studies are financed by the Government of Canada.

Effective August 1, 1993, financing of the Commission's administrative costs associated with the domestic marketing of butter and skim milk powder (approximately $1.0 million) will no longer be financed by the Government of Canada.

Producer levies

Producers are responsible for all costs of operations not financed by the Government of Canada. These costs are financed through levies agreed to by the CMSMC, charged and collected by the provincial marketing boards and agencies and remitted to the Commission.

Producer levies are comprised of:

	1993	1992
	(in thousands of dollars)	
Industrial milk		
In-quota levies	74,978	108,977
Over-quota levies	22,445	78,513
	97,423	187,490
Fluid milk		
In-quota levies	37,015	27,318
Butterfat skim-off	2,345	4,510
	39,360	31,828
Total	136,783	219,318

Producer levies include $0.5 million (1992—$1.4 million) of interest charged to provinces.

In past years, the costs of the Commission's operations not financed by the Government of Canada, have been financed primarily by industrial milk producers. Since 1991-92, the Commission has been implementing the CMSMC-approved financing arrangement under which these costs will be financed by provincial levy obligations based on total milk production, which comprises fluid milk sales and industrial milk production. The arrangement is now in its second year of a three-year phase-in period, with 75% of the costs of 1992-93 operations being financed based on total milk production and 25% based on the previous levy structure. The percentage of financing based on total milk production increases to 100% in 1993-94.

Levies include $0.08 (1992—$0.14) per hectolitre to cover the eligible costs associated with actual butter inventories up to normal levels determined by the Commission. Commencing August 1, 1993, the Commission's administrative costs associated with the domestic marketing of butter and skim milk powder will also be charged to these accounts. Levies also include $0.02 (1992—$0.02) per hectolitre which is intended to finance the processors' share of the Rebate Program for Further Processors. Thirteen percent of the expenses for this program are charged against amounts collected for this purpose. The $0.02 per hectolitre levy will be discontinued effective August 1, 1993.

Amounts funded and expensed for these programs are as follows:

	Eligible Costs Associated with Butter Inventory up to Normal Levels		Rebate Program for Further Processors— Processors' Share	
	1993	1992	1993	1992
	(in thousands of dollars)			
Opening balance	402	219	487	
Funded during year	3,351	5,723	838	818
Expensed during year	(2,798)	(5,540)	(986)	(331)
Closing balance	955	402	339	487

The closing balances are included in the excess of financing by producer levies at year end. The $955,000 balance will be applied against the future costs of the program and the balance of $339,000 will be used for rebates to further processors until the amount has been fully utilized.

CANADIAN DAIRY COMMISSION—*Continued*

NOTES TO FINANCIAL STATEMENTS
JULY 31, 1993—*Concluded*

The Commission's administrative expenses of $5.2 million (1992—$4.9 million) have been financed from producers levies and by the Government of Canada in the amounts of $1.8 million (1992—$1.6 million) and $3.4 million (1992—$3.3 million), respectively.

5. Inventories

Inventories are comprised as follows:

	1993	1992
	(in thousands of dollars)	
Cost		
Butter	43,048	92,058
Skim milk powder	27,794	12,202
Other dairy products	16,758	5,126
	87,600	109,386
Less allowance for writedown		
Butter (mainly unsalted)	2,413	7,736
Skim milk powder	7,856	4,640
Other dairy products	3,517	2,288
	13,786	14,664
Net book value	73,814	94,722

In addition, in accordance with the Commission's accounting policies, the allowance for losses on disposal of surplus production has been established at $2.0 million (1992—$33.0 million).

6. Loans from Government of Canada

Loans from the Government of Canada, to a maximum of $300 million, are available to finance operations. Individual loans are repayable within one year from the date the loan is made. Principal and accrued interest are repaid on a regular basis as and when funds are available. The interest rates during the year were in accordance with normal rates established for Crown corporations by the government and varied from 8.6905% to 4.2812% (1992—9.897% to 5.283%).

Loan transactions for the year are summarized as follows:

	1993	1992
	(in thousands of dollars)	
Balance at beginning of year	150,791	136,647
Borrowings	167,329	266,729
Payments	(259,701)	(252,585)
Balance at end of year	58,419	150,791
Accrued interest at end of year	358	2,729

7. Representatives' Fees

The Commission has used the services of representatives for the sale of dairy products on the export market. Total fees for the year were $1.8 million (1992—$3.6 million), and are included in cost of goods sold.

8. Purchase Commitments

As at July 31, 1993, the Commission was committed to purchase butter and skim milk powder produced prior to that date at Canadian support prices and other dairy products produced prior to that date at negotiated contract prices. These commitments amounted to approximately $5.2 million (1992—$6.0 million).

9. Related Party Transactions

Included in export sales is an amount of $4.1 million (1992—$13.3 million) of sales to the Canadian International Development Agency. These sales were carried out in the normal course of business and at the Commission's established sales prices.

In addition, government departments provided the Commission with certain administrative services without charge. The cost of these services is not recorded in the Commission's accounts.

10. Subsequent Events

The Canadian Milk Supply Management Committee, at its meeting of September 29 and 30, 1993, decided that $30.9 million of the $37.6 million excess in financing by producer levies at end of year will be refunded to the provinces in proportion to their share of levy revenues.

On August 11, 1993, a British Columbia Supreme Court judgement declared that the industrial milk quota and levy provisions in this province were invalid. A temporary stay against the application of this judgement has been issued pending its clarification. The Commission is reviewing the implications of this judgement on its operations.

11. Financial Statement Presentation

A statement of changes in financial position has not been included because, in the opinion of management, it would not provide any meaningful additional information.

CANADIAN DAIRY COMMISSION—*Concluded*

SCHEDULE OF OPERATIONS BY PRODUCT
FOR THE YEAR ENDED JULY 31, 1993
(in thousands of dollars)

	1993					1992				
	Butter	Skim milk powder	Evaporated milk	Other products*	Total	Butter	Skim milk powder	Evaporated milk	Other products*	Total
Export sales	17,250	32,056	23	27,087	76,416	12,634	115,009	16,490	24,327	168,460
Cost of goods sold	28,712	43,882	22	34,281	106,897	33,482	155,134	19,677	39,434	247,727
Loss (margin) on export sales	11,462	11,826	(1)	7,194	30,481	20,848	40,125	3,187	15,107	79,267
Domestic sales	80,342	4,588	2,559**		87,489	71,355	2,843			74,198
Cost of goods sold	80,476	5,303	2,546		88,325	71,080	5,607			76,687
Loss (margin) on domestic sales	134	715	(13)		836	(275)	2,764			2,489
Total loss (margin) on sales	11,596	12,541	(14)	7,194	31,317	20,573	42,889	3,187	15,107	81,756
Assistance and expenses										
Dairy product assistance										
—Export	3,213	556	38	27,351	31,158	1,694	1,027	101	44,070	46,892
—Domestic	7,206	9,376		6,151	22,733	1,117	11,527		2,049	14,693
Inventory writedown	2,413	7,856		3,518	13,787	7,736	4,640		2,288	14,664
Promotion	29	168			197	45	260			305
Carrying charges	3,269	801	255	348	4,673	6,915	4,386	324	422	12,047
Provision for (recovery of) doubtful accounts				(39)	(39)				595	595
	16,130	18,757	293	37,329		17,507	21,840	425	49,424	
Provision for losses on disposal of surplus production					1,994					32,991
Administrative expenses					5,221					4,933
Total assistance and expenses					79,724					127,120
Total cost of operations					111,041					208,876

* Include whole milk powder and cheese.
** Plan B re-purchase programs.

CANADIAN FILM DEVELOPMENT CORPORATION

MANAGEMENT REPORT

The financial statements of the Canadian Film Development Corporation are the responsibility of management and have been approved by the Board of Directors of the Corporation. The financial statements have been prepared in accordance with generally accepted accounting principles and, where appropriate, include estimates based on the experience and judgement of management. Management is also responsible for all other information in the annual report and for ensuring that this information is consistent with the financial statements.

Management maintains books of account, financial and management control, and information systems, together with management practices designed to provide reasonable assurance that reliable and relevant information is available on a timely basis, that assets are safeguarded and controlled, that resources are managed economically and efficiently in the attainment of corporate objectives, and that operations are carried out effectively. These systems and practices are also designed to provide reasonable assurance that transactions are in accordance with the *Financial Administration Act* and its regulations, the *Canadian Film Development Corporation Act* and the by-laws and policies of the Corporation.

The Board of Directors is responsible for ensuring that management fulfils its responsibilities for financial reporting as stated above. The Board exercises its responsibilities through the Audit Committee, which consists of directors who are not officers of the Corporation. The Audit Committee reviews the quarterly financial statements, as well as the annual financial statements and related reports; the Committee meets with the external auditors annually and, may make recommendations to the Board of Directors with respect to these and/or related matters.

The external auditor, the Auditor General of Canada, conducts and independent examination of the financial statements and reports to the Corporation and to the minister Designate of Canadian Heritage.

Pierre DesRoches
Executive Director

J. P. Paré
Director, financing and administration

Montreal, Canada
June 3, 1994

AUDITOR'S REPORT

TO THE MINISTER DESIGNATE OF CANADIAN HERITAGE

I have audited the balance sheet of the Canadian Film Development Corporation as at March 31, 1994 and the statements of operations, equity of Canada and changes in financial position for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 1994 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles. As required by the *Financial Administration Act*, I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, proper books of account have been kept by the Corporation, the financial statements are in agreement therewith and the transactions of the Corporation that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with the *Financial Administration Act* and regulations, the *Canadian Film Development Corporation Act* and the by-laws of the Corporation.

Raymond Dubois, FCA
Deputy Auditor General
for the Auditor General of Canada

Ottawa, Canada
June 3, 1994

CANADIAN FILM DEVELOPMENT CORPORATION—*Continued*

BALANCE SHEET AS AT MARCH 31, 1994

ASSETS	1994	1993
	$	$
Current		
Loans	4,500,426	3,867,474
Guaranteed investments	1,061,460	
Parliamentary appropriation receivable	26,139,346	21,692,862
Accounts receivable	2,151,451	2,770,768
Prepaid expenses	127,211	253,460
	33,979,894	28,584,564
Long-term		
Loans	569,000	87,408
Guaranteed investments	864,000	
	1,433,000	87,408
Capital assets (Note 3)	3,823,941	4,329,576
	39,236,835	33,001,548

LIABILITIES	1994	1993
	$	$
Current		
Accounts payable	9,852,608	9,357,231
Long-term		
Provision for employee termination benefits	760,000	656,600
Deferred rental reduction	220,814	248,416
	980,814	905,016
	10,833,422	10,262,247
Commitments (Note 7)		
Contingencies (Note 9)		
EQUITY OF CANADA		
Equity of Canada	28,403,413	22,739,301
	39,236,835	33,001,548

Approved by the Board:

ROBERT DINAN
Chairman

Approved by Management:

PIERRE DESROCHES
Executive Director

STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 1994

	1994			1993
	Canadian programming	Feature films	Total	Total
	$	$	$	$
Assistance expenses (Note 4)				
English production	36,154,929	15,096,490	51,251,419	60,734,832
French production	25,322,144	11,507,624	36,829,768	36,933,915
Marketing and distribution		16,169,271	16,169,271	20,961,359
Development of the industry		7,220,283	7,220,283	8,270,682
	61,477,073	49,993,668	111,470,741	126,900,788
Revenues				
Interest	137,166	803,195	940,361	921,880
Cost of operations before administration expenses	61,339,907	49,190,473	110,530,380	125,978,908
Administration expenses (Note 5)			7,724,508	7,586,513
Cost of operations for the year			118,254,888	133,565,421

CANADIAN FILM DEVELOPMENT CORPORATION—*Continued*

STATEMENT OF EQUITY OF CANADA FOR THE YEAR ENDED MARCH 31, 1994

	1994	1993
	$	$
Balance at beginning of the year	22,739,301	19,284,722
Parliamentary appropriation for the year	132,419,000	144,520,000
Payment to the Consolidated Revenue Fund (Note 6)	(8,500,000)	(7,500,000)
Cost of operations for the year	(118,254,888)	(133,565,421)
Balance at end of the year	28,403,413	22,739,301

STATEMENT OF CHANGES IN FINANCIAL POSITION FOR THE YEAR ENDED MARCH 31, 1994

	1994	1993
	$	$
Operating activities		
Cost of operations for the year	(118,254,888)	(133,565,421)
Items not affecting liquidity		
Loans written down	828,000	481,383
Amortization	1,004,621	992,681
Increase in the provision for employee termination benefits	103,400	158,918
	(116,318,867)	(131,932,439)
Net change in non liquidity items of working capital related to operations	1,240,943	(2,105,295)
Decrease in deferred rental reduction	(27,602)	(27,602)
	(115,105,526)	(134,065,336)
Investing activities		
Loans	(8,823,000)	(6,012,000)
Reimbursements of loans	6,880,456	7,412,617
Guaranteed investments	(2,150,460)	
Reimbursements of guaranteed investments	225,000	
Acquisition of capital assets	(498,986)	(1,024,535)
	(4,366,990)	376,082
Financing activities		
Parliamentary appropriation for the year	132,419,000	144,520,000
Payment to the Consolidated Revenue Fund	(8,500,000)	(7,500,000)
	123,919,000	137,020,000
Parliamentary appropriation receivable		
Increase for the year	4,446,484	3,330,746
Balance at beginning of the year	21,692,862	18,362,116
Balance at end of the year	26,139,346	21,692,862

NOTES TO FINANCIAL STATEMENTS MARCH 31, 1994

1. Authority and activities

The Corporation was established in 1967 by the *Canadian Film Development Corporation Act* with the objective of fostering and promoting the development of a feature film industry in Canada. The Corporation has since been charged with the administration of the Canadian Broadcast Program Development Fund, established on July 1, 1983, within the framework of the Broadcasting Strategy for Canada as well as with the management of various new programs established under the National Film and Video Policy of May 1984.

The Corporation is a Crown corporation subject inter alia to the provisions of Part VIII of the *Financial Administration Act* as it read before its repeal in 1984 and as if it continued to be named in Schedule C of the Act.

2. Significant accounting policies

(a) Liquidity

The financial operations of the Corporation are processed through the Consolidated Revenue Fund of Canada, thus the absence of bank accounts. For the purposes of the statement of changes in financial position, its liquidity consists of a parliamentary appropriation receivable.

(b) Loans

Loans are shown on the balance sheet at their face value, less an allowance for losses.

(c) Guaranteed Investments

Funds invested in the production of feature films and Canadian programming, in return for a share in the exploitation revenues and, for which the Corporation has obtained a guarantee are shown on the balance sheet at the lower of cost and face value of the guarantees obtained, less an allowance for losses.

(d) Non-guaranteed investments

Funds invested in the production of feature films and Canadian programming, in return for a share in the exploitation revenues, as well as all other forms of industry support, are expensed as assistance expenses in the year in which the funds are paid or have become payable.

Reimbursements of non guaranteed investments are credited to expenses as a reduction of assistance expenses made during the year. Any proceeds in excess of the related investment is accounted for as revenues.

(e) Capital assets

Capital assets are recorded at cost. Amortization is recorded, using the diminishing-balance method, at the annual rate of 30% for the automobile, and 20% for the furniture and equipment and for the computer installations. Leasehold improvements are amortized, using the straight-line method, based on the terms of the leases. Softwares are amortized, using the straight-line method, over a five year period.

(f) Parliamentary appropriation

The parliamentary appropriation voted to the Corporation comprises a lapsing amount for the production of Canadian programming and another amount for the development of a feature film industry which can be carried forward to future years up to the amount of unused film receipts. The admissible unlapsed parliamentary appropriation is credited to the Equity of Canada.

CANADIAN FILM DEVELOPMENT CORPORATION—*Continued*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1994—*Continued*

(g) Employee termination benefits

On termination of employment, employees are entitled to certain benefits provided for under their conditions of employment. The cost of these benefits is expensed in the year in which they are earned.

(h) Pension plan

Admissible employees participate in the superannuation plan administered by the Government of Canada. The employees and the Corporation contribute equally to the cost of the plan. This contribution represents the total liability of the Corporation. Contributions in respect of current services and admissible past services are expensed during the year in which payments are made. The terms of payment for past service are set by the applicable purchase conditions in effect, generally over the number of years of service remaining prior to retirement. The Corporation is not required under present legislation to make contributions with respect to actuarial deficiencies of the Public Service Superannuation Account.

3. Capital assets

	1994			1993
	Cost	Accumulated amortization	Net	Net
	$	$	$	$
Furniture and equipment	2,071,358	1,463,371	607,987	549,629
Computer installations	2,815,507	1,705,094	1,110,413	1,197,421
Leasehold improvements	1,145,022	523,869	621,153	711,977
Automobile	24,465	16,073	8,392	11,988
Softwares	2,404,277	928,281	1,475,996	1,858,561
	8,460,629	4,636,688	3,823,941	4,329,576

4. Assistance expenses

	1994			1993
	Canadian programming	Feature films	Total	Total
	$	$	$	$
Non guaranted investments	69,979,723	54,722,207	124,701,930	134,742,158
Reimbursements from non guaranteed investments	(11,859,033)	(12,295,305)	(24,154,338)	(18,735,323)
Loans written down	419,000	409,000	828,000	481,383
Reimbursements of loans previously written-off or written down	(19,795)	(82,840)	(102,635)	(161,640)
	58,519,895	42,753,062	101,272,957	116,326,578
Operating expenses (Note 5)	2,957,178	7,240,606	10,197,784	10,574,210
	61,477,073	49,993,668	111,470,741	126,900,788

CANADIAN FILM DEVELOPMENT CORPORATION—*Concluded*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1994—*Concluded*

5. Operating expenses

	1994	1993
	$	$
Salaries and employee benefits	10,735,284	10,422,046
Rent, taxes, heating and electricity	2,315,574	2,295,908
Printing, postage and office expenses	1,113,641	1,341,569
Amortization	1,004,621	992,681
Professional services	772,165	696,255
Travel	683,134	826,715
Advertising	436,957	623,887
Telephone and telex	319,436	355,348
Hospitality	227,276	225,495
Relocation	189,154	240,947
Consultants' fees	125,050	139,872
	17,922,292	18,160,723
Portion applicable to assistance expenses (Note 4)	10,197,784	10,574,210
Portion applicable to administration expenses	7,724,508	7,586,513

6. Payment to the Consolidated Revenue Fund

In the budget of February 25, 1992, the Government has requested that the Corporation return a part of its receipts. For the year ended March 31, 1994, the Corporation returned $8.5 million (1993—$7.5 million) to the Consolidated Revenue Fund.

7. Commitments

(a) Projects

As at March 31, 1994, the Corporation:

	French projects	English projects	Total
	$	$	$
Is contractually committed to advance funds as loans and investments	9,046,387	12,059,320	21,105,707
Has accepted to finance projects that may call for disbursements	7,698,106	1,927,684	9,625,790
	16,744,493	13,987,004	30,731,497

Under a production revenue sharing program, the Corporation has committed funds totalling $3,320,425 as at March 31, 1994, for projects yet to be submitted, under certain conditions.

(b) Leases

The Corporation has entered into long-term leases for the rental of office space and equipment used in its operations. The aggregate minimum annual rentals payable during subsequent years are as follows:

	$
1995	2,605,896
1996	2,308,286
1997	2,288,753
1998	2,181,418
1999	2,167,373
2000-2005	5,707,381
	17,259,107

8. Related party transactions

The Corporation is related in terms of common ownership to all Government of Canada created departments, agencies and Crown corporations. The Corporation enters into transactions with these entities in the normal course of business.

9. Contingencies

In the ordinary course of business, various claims and lawsuits have been brought against the Corporation. In the opinion of management, the losses, if any, which may result from the settlement of the matters are not likely to be material and accordingly no provision has been made in the accounts of the Corporation. In the event that such expenses were to occur, they would be recognized as period costs.

CANADIAN MUSEUM OF CIVILIZATION

MANAGEMENT'S RESPONSABILITY FOR FINANCIAL STATEMENTS

The financial statements contained in this annual report have been prepared by Management in accordance with generally accepted accounting principles and the integrity and objectivity of the data in these financial statements are Management's responsibility.

In support of its responsibility, Management has developed and maintains books of account, records, financial and management controls, information systems and management practices. These are designed to provide reasonable assurance as to the reliability of financial information, that assets are safeguarded and controlled, and that transactions are in accordance with the *Financial Administration Act* and regulations as well as the *Museums Act* and by-laws of the corporation.

The Board of Trustees is responsible for ensuring that Management fulfills its responsibilities for the financial reporting and internal control. The Board exercises its responsibilities through the Audit Committee which includes a majority of members who are not officers of the corporation. The Committee meets with Management and the independent external auditor to review the manner in which these groups are performing their responsibilities and to discuss auditing, internal controls and other relevant financial matters. The Audit Committee has reviewed the financial statements with the external auditor and has submitted its report to the Board of Trustees. The Board of Trustees has reviewed and approved the financial statements.

The corporation's external auditor, the Auditor General of Canada, examines the financial statements and reports to the Minister of Communications, who is responsible for the Canadian Museum of Civilization.

George F. MacDonald
Executive Director

J. Geurts
Managing Director

June 14, 1994

AUDITOR'S REPORT

TO THE MINISTER DESIGNATE OF CANADIAN HERITAGE

I have audited the balance sheet of the Canadian Museum of Civilization as at March 31, 1994 and the statements of operations, equity of Canada and changes in financial position for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 1994, and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles. As required by the *Financial Administration Act,* I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Corporation that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Museums Act* and by-laws of the corporation.

Raymond Dubois, FCA
Deputy Auditor General
for the Auditor General of Canada

Ottawa, Canada
May 31, 1994

CANADIAN MUSEUM OF CIVILIZATION—*Continued*

BALANCE SHEET AS AT MARCH 31, 1994
(in thousands of dollars)

ASSETS	1994	1993
Current		
Cash and short-term investments	8,845	8,513
Accounts receivable (Note 3)	1,556	1,110
Inventories	1,165	1,321
Prepaid expenses	4	313
	11,570	11,257
Deferred charges	363	118
Trust accounts (Note 4)	2,502	2,160
Collection (Note 2)	1	1
Capital assets (Note 5)	10,797	12,101
	25,233	25,637

LIABILITIES	1994	1993
Current		
Accounts payable and accrued liabilities (Note 6)	6,261	6,790
Current portion of accrued employee termination benefits	185	177
Deferred revenue	430	28
	6,876	6,995
Long-term		
Accrued employee termination benefits	2,142	2,070
Trust accounts (Note 4)	2,502	2,160
	11,520	11,225
EQUITY		
Equity of Canada (Note 7)	13,713	14,412
	25,233	25,637

Approved by Management:

DR. GEORGE F. MACDONALD
Executive Director

JOE GEURTS
Managing Director

Approved by the Board of Trustees:

PETER A. HERRNDORF
Chairman

PIERRE MOREAULT
Trustee

CANADIAN MUSEUM OF CIVILIZATION—*Continued*

STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 1994
(in thousands of dollars)

	1994	1993
Expenses		
Personnel costs	26,869	25,598
Professional and special services	5,225	4,345
Amortization	3,471	3,170
Exhibit design and fabrication	3,387	3,086
Furniture and fixtures	2,306	1,993
Freight and cartage	1,174	1,123
Repairs and maintenance	914	642
Cost of goods sold—Boutiques	879	764
Communications	828	1,050
Marketing and advertising	795	1,091
Protection services	504	1,147
Collection acquisitions	448	399
Rentals	226	678
Cinéplus films	202	24
Other	85	389
	47,313	45,499
Revenues		
Cinéplus	1,901	2,635
Boutique sales	1,456	1,247
General admissions	1,120	1,202
Parking	580	622
Facility rental and food services concession	526	435
Interest on cash and short-term investments	349	558
Royalties	321	
Publications	99	46
Other	711	507
	7,063	7,252
Excess of expenses over revenues before parliamentary appropriation	40,250	38,247

STATEMENT OF EQUITY OF CANADA
FOR THE YEAR ENDED MARCH 31, 1994
(in thousands of dollars)

	1994	1993
Balance at beginning of year	14,412	13,439
Excess of expenses over revenues before parliamentary appropriation	(40,250)	(38,247)
Parliamentary appropriation for operations and acquisition of capital assets	39,551	39,220
Balance at end of year	13,713	14,412

STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED MARCH 31, 1994
(in thousands of dollars)

	1994	1993
Operating activities		
Excess of expenses over revenue before parliamentary appropriation	(40,250)	(38,247)
Items not affecting funds		
Amortization net of disposal of assets	3,466	3,170
Employee termination benefits	72	109
	(36,712)	(34,968)
Change in non-cash operating assets and liabilities	(345)	(1,521)
Funds used for operating activities	(37,057)	(36,489)
Investing activities		
Acquisition of capital assets	(2,162)	(1,838)
Financing activities		
Parliamentary appropriation	39,551	39,220
Increase in cash and short-term investments	332	893
Balance at beginning of year	8,513	7,620
Balance at end of year	8,845	8,513

CANADIAN MUSEUM OF CIVILIZATION—*Continued*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1994

1. Mission and mandate

The Canadian Museum of Civilization was established on July 1, 1990 by the *Museums Act*. The Canadian Museum of Civilization is an agent Crown corporation named in Part I of Schedule III to the *Financial Administration Act*. The Canadian War Museum is a component of the Canadian Museum of Civilization.

The mission, as stated in the *Museums Act*, is as follows:

"to increase, throughout Canada and internationally, interest in, knowledge and critical understanding of and appreciation and respect for human cultural achievements and human behaviour by establishing, maintaining and developing for research and posterity a collection of objects of historical or cultural interest, with special but not exclusive reference to Canada, and by demonstrating those achievements and behaviour, the knowledge derived from them and the understanding they represent."

In compliance with the *Museums Act*, assets, liabilities and equity belonging to the Canadian Museum of Civilization were transferred, as of July 1, 1990, from National Museums of Canada to the Canadian Museum of Civilization at book value.

2. Significant accounting policies

(a) Inventories

Inventories, which consist of materials for the boutiques and publications, are valued at the lower of cost and net realizable value.

(b) Collection

The artifact collection forms the largest part of the assets of the Corporation, but it is presented in the balance sheet at a nominal value of $1,000 given the practical difficulties of determining a meaningful value for these assets.

Objects purchased for the collection of the Corporation are, in the year of acquisition, recorded as an expense or accounted for in the Trust account depending on the source of funds. Objects donated to the Corporation are not recorded in the books of accounts.

(c) Capital assets

Capital assets were transferred to the Corporation on July 1, 1990 at the book value, on that date, in the books of the National Museums of Canada. The value has been credited to the equity of Canada. Capital assets acquired since July 1, 1990 are valued at cost.

Amortization is calculated on the straight-line method, based on the estimated useful lives of assets:

Leasehold improvements	10 years
Office furniture and equipment	8 years
Technical and informatics equipment	5 and 8 years
Motor vehicles	5 years

Since the buildings are not owned by the Corporation, no amortization is taken.

(d) Pension plan

Employees of the Corporation participate in the Public Service Superannuation Plan, administered by the Government of Canada. The Corporation matches these contributions equally for each employee for the year in which services are rendered. These contributions are expended during the year in which services are rendered and represent the total obligation of the Corporation for employee pension plan. The Corporation is not required under present legislation to make contributions with respect to actuarial deficiencies of the Public Service Superannuation Account.

(e) Employee termination benefits

Employees of the Corporation are entitled to specified benefits on termination as provided for under labour contracts and conditions of employment. The cost of these benefits is expended in the year in which they are earned.

(f) Parliamentary appropriation

The parliamentary appropriation for operating and capital expenditures is credited to the equity of Canada.

3. Accounts receivable

	1994	1993
	(in thousands of dollars)	
Recoveries of goods and services tax	309	369
Trade accounts	720	268
Appropriation receivable	426	
Recoveries of salaries from government departments	38	48
Other	63	425
	1,556	1,110

4. Trust accounts

Receipts such as donations, gifts, or bequests are accounted for as trust accounts. Expenditures relating to these funds are charged against the trust accounts in the year they are made. Transactions in the trusts accounts are not recorded in the statement of operations.

	1994	1993
	(in thousands of dollars)	
Balance at beginning of year	2,160	1,855
Add: receipts	406	325
Less: expenditures	(64)	(20)
Balance at end of year	2,502	2,160

CANADIAN MUSEUM OF CIVILIZATION—*Concluded*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1994—*Concluded*

5. Capital assets

	1994			1993
	Cost	Accumulated amortization	Net book value	Net book value
	(in thousands of dollars)			
Leasehold improvements	9,056	3,206	5,850	5,608
Office furniture and equipment	5,403	2,974	2,429	2,973
Technical equipment	6,642	4,961	1,681	2,374
Informatics equipment	5,129	4,340	789	1,068
Motor vehicles	149	101	48	78
	26,379	15,582	10,797	12,101

6. Accounts payable and accrued liabilities

	1994	1993
	(in thousands of dollars)	
Trade accounts payable	4,111	4,854
Accrued salaries and vacation pay	1,928	1,696
Government departments and agencies	222	240
	6,261	6,790

7. Equity of Canada

The equity of Canada represents the book value of assets and liabilities transferred from the former National Museums of Canada as of July 1, 1990 and the net results of operations of the Corporation since that date. However, it does not reflect the value of land and buildings occupied by the Corporation as these are presently owned and provided without charge by the Government of Canada.

8. Related party transactions

The building space occupied by the Corporation is provided without charge by Public Works and Government Services Canada. The Corporation also receives, without charge, collections management and auditing services from different government departments and agencies. These services are not reflected in the financial statements.

In addition to those related party transactions disclosed elsewhere in these financial statements, the Corporation is related in terms of common ownership to all Government of Canada created departments, agencies and Crown corporations. The Corporation enters into transactions with these entities in the normal course of business.

9. Commitment

The Corporation has entered into long-term contracts for informatics and photo imaging services with a remaining value of $8,233,500.

10. Comparative figures

Certain comparative figures have been reclassified to conform with the presentation adopted in the current year.

CANADIAN MUSEUM OF NATURE

MANAGEMENT'S RESPONSIBILITIES OF FINANCIAL REPORTING

Management is responsible for establishing and maintaining a system of books, records, internal controls, and management practices to provide reasonable assurance that: reliable financial information is produced; the assets of the Corporation are safeguarded and controlled; the transactions of the Corporation are in accordance with the relevant legislation, regulations, and by-laws of the Corporation; the resources of the Corporation are managed efficiently and economically; and the operations of the Corporation are carried out effectively.

Management is also responsible for the integrity and objectivity of the financial statements of the Corporation. The accompanying financial statements were prepared in accordance with generally accepted accounting principles. The financial information contained elsewhere in this annual report is consistent with that in the financial statements.

The Board of Trustees is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Board exercises its responsibilities through the Audit and Finance Committee, which includes a majority of members who are not officers of the Corporation. The Committee meets from time to time with management, the Corporation's internal auditors and the Auditor General of Canada to review the manner in which these groups are performing their responsibilities, and to discuss auditing internal controls, and other relevant financial matters. The Audit and Finance Committee has reviewed the financial statements with the internal auditors and the Auditor General of Canada and has submitted its report to the Board of Trustees which has approved the financial statements.

The financial statements have been audited by the Auditor General of Canada. His report offers an independent opinion on the financial statements to the Minister Designate of Canadian Heritage.

Alan R. Emery
President and Chief Executive Officer

Robert N. LeBlanc
Chief Operating Officer

AUDITOR'S REPORT

TO THE MINISTER DESIGNATE OF CANADIAN HERITAGE

I have audited the balance sheet of the Canadian Museum of Nature as at March 31, 1994 and the statements of income and expense, equity of Canada and changes in cash position for the year then ended. These financial statements are the responsibility of the corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the corporation as at March 31, 1994 and the results of its operations and the changes in its cash position for the year then ended in accordance with generally accepted accounting principles. As required by the *Financial Administration Act*, I report that, in my opinion, these principles have been applied, after giving retroactive effect to the change in the method of accounting for parliamentary appropriation as explained in Note 3 to the financial statements, on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the corporation that have come to my notice during my audit of the financial statements, have in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Museums Act* and the by-laws of the corporation.

Raymond Dubois, FCA
Deputy Auditor General
for the Auditor General of Canada

Ottawa, Canada
June 21, 1994

CANADIAN MUSEUM OF NATURE—*Continued*

BALANCE SHEET AS AT MARCH 31, 1994
(in thousands of dollars)

ASSETS	1994	1993	LIABILITIES	1994	1993
Current			Current		
Cash and short-term deposits	1,691	1,823	Accounts payable and accrued liabilities		
Accounts receivable			Others	1,986	2,201
Government departments and agencies	1,153	222	Government departments and agencies	178	458
Others	133	85	Due to Canada (Note 7)	266	486
Inventories	331	359	Provision for termination benefits	343	264
Deferred charges	215	35			
	3,523	2,524		2,773	3,409
Restricted cash and short-term deposits (Notes 4 and 5)	1,850	1,881	Provision for termination benefits	1,017	1,284
Collections	1	1	Deferred revenues (Note 8)	1,621	1,631
Capital assets (Note 6)	2,549	2,935	Endowment fund (Note 5)	250	250
				5,661	6,574
			EQUITY OF CANADA	2,262	767
	7,923	7,341		7,923	7,341

Significant event (Note 15)
The accompanying notes form an integral part of the financial statements.

Approved by the Board of Trustees:

NORMAN E. WAGNER
Chairman of the Board of Trustees

LLOYD BARBER
Chairman of the Audit and Finance Committee

Approved by Management:

ALAN R. EMERY
President and Chief Executive Officer

ROBERT N. LEBLANC
Chief Operating Officer

CANADIAN MUSEUM OF NATURE—*Continued*

STATEMENT OF INCOME AND EXPENSE FOR THE YEAR ENDED MARCH 31, 1994 (in thousands of dollars)

	1994	1993
Income		
Parliamentary operating appropriation (Notes 3 and 9)	18,938	17,895
Commercial operations (Note 10)	1,018	825
Contributions (Note 8)	564	256
Educational programmes	173	156
Scientific services	113	236
Interest income	118	
Other	52	
	20,976	19,368
Expense		
Personnel costs	12,166	13,833
Severance costs (Note 11)	1,598	
Professional and special services	2,365	2,394
Amortization	1,200	1,138
Materials and supplies	792	839
Communications	575	438
Repairs and maintenance	383	205
Travel	387	602
Exhibit design and fabrication	330	51
Freight and cartage	208	209
Marketing and advertising	209	255
Rentals of exhibits and equipment	181	92
Bad debt expense	22	26
Acquisitions of objects for collections	17	93
Other	82	38
Recovery of previous years expenses (Note 7)	(220)	
	20,295	20,213
Excess (deficiency) of income over expense	681	(845)

The accompanying notes form an integral part of the financial statements.

STATEMENT OF EQUITY OF CANADA FOR THE YEAR ENDED MARCH 31, 1994 (in thousands of dollars)

	1994	1993
Balance, beginning of year	767	455
Parliamentary capital appropriation (Notes 3 and 9)	814	1,157
Excess (defiency) of income over expense	681	(845)
Balance, end of year	2,262	767

The accompanying notes form an integral part of the financial statements.

STATEMENT OF CHANGES IN CASH POSITION FOR THE YEAR ENDED MARCH 31, 1994 (in thousands of dollars)

	1994	1993
Operating activities		
Excess (deficiency) of income over expense	681	(845)
Items not involving cash:		
Amortization of capital assets	1,200	1,138
Employee termination benefits	(267)	108
Deferred revenues	21	
Net change in non-cash working capital	(1,547)	(1,436)
	88	(1,035)
Financing activities		
Parliamentary capital appropriation	814	1,157
Due to Canada	(220)	(478)
	594	679
Investing activities		
Acquisition of capital assets	(814)	(1,157)
Increase (decrease) in cash and short-term deposits	(132)	(1,513)
Cash and short-term deposits, beginning of year	1,823	3,336
Cash and short-term deposits, end of year	1,691	1,823

The accompanying notes form an integral part of the financial statements.

CANADIAN MUSEUM OF NATURE—*Continued*

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 1994

1. AUTHORITY AND MISSION

The Canadian Museum of Nature was established by the *Museums Act* on July 1st, 1990 and is an agent Crown corporation named in Part I of Schedule III to the *Financial Administration Act*.

The corporation's mission is to increase, throughout Canada and internationally, interest in, knowledge of and appreciation and respect for the natural world by establishing, maintaining and developing for research and posterity a collection of natural history objects, with special but not exclusive reference to Canada, and by demonstrating the natural world, the knowledge derived from it and the understanding it represents.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements are prepared in accordance with generally accepted accounting principles and reflect the following policies:

(a) Inventories

Inventories of publications and boutique are valued at the lower of cost or net realizable value.

(b) Capital Assets

Capital assets are recorded at cost. Amortization is calculated on the straight-line method using rates based on the estimated useful life of the assets as follows:

Research equipment	10 years
Technical equipment	10 years
Furnishings and office equipment	10 years
Computer equipment	5 years
Motor vehicles	5 years

Major leasehold improvements are capitalized and amortized over the term of the respective leases to a maximum period of five years.

Material and equipment acquired for the purpose of the design, development and maintenance of exhibits are charged to operations in the year of acquisition.

(c) Collections

The Canadian Museum of Nature holds and preserves invaluable collections of natural history specimens for the benefit of Canadians, present and future. The specimen collection forms the largest part of the assets of the corporation. The collections are shown as an asset at a nominal value of $1,000 on the balance sheet to ensure that the reader is aware of their existence.

Objects purchased for the collections are recorded as an expense in the year of acquisition. Objects donated to the corporation are not recorded in the books of accounts.

(d) Parliamentary Appropriation

The parliamentary appropriation is recognized as income, except for the portion used to acquire capital assets that is credited to equity of Canada.

(e) Contributions Revenue Recognition

The corporation receives gifts and bequests from individuals and corporate entities. These funds are to be used for the purposes for which they were donated.

Restricted contributions and interest on endowment funds are recognized as revenue in the year in which the related expenses are incurred. Endowment contributions are recognized as direct increases in the endowment fund.

(f) Donated Services

The corporation does not record in the financial statements the value of the following services it receives without charge:

- building space occupied by the corporation provided by Public Works/Government Services Canada (PW/GSC); buildings are either owned and maintained by PW/GSC or leased/rented for the corporation's benefit;
- auditing services from the Office of the Auditor General; and
- volunteer and other services donated by individuals and corporate entities.

(g) Pension Plan

The corporation's employees participate in the Public Service Superannuation Plan administered by the Government of Canada. Contributions to the Plan are made both by the employees and the corporation on an equal basis. These contributions represent the total pension obligations of the corporation and are recognized in the accounts on a current basis. The corporation is not required to make contributions with respect to actuarial deficiencies of the Public Service Superannuation Account.

(h) Employee Termination Benefits

Employees of the corporation are entitled to specified benefits on termination as provided under labour contracts and conditions of employment. The liability for these benefits is recorded in the accounts as the benefits accrue to the employees under the respective terms of employment.

Termination benefits are valued at cost calculated at salary levels in effect at the end of the year for all termination benefits accruing to employees.

3. CHANGE IN ACCOUNTING POLICY

The corporation adopted retroactively a change in accounting policy for the recognition of parliamentary appropriation.

The new policy specifies that the portion of parliamentary appropriation used for operating expenses is recognized as income. Previously, the appropriation was credited to equity of Canada. The portion of parliamentary appropriation used for capital acquisitions continues to be credited to equity of Canada.

Accordingly, prior period operating results have been restated and as a result of the change, the equity of Canada does not change. Previously reported Net cost of operations of $18,740,000 for 1993 has been changed to deficiency of income over expense of $845,000.

CANADIAN MUSEUM OF NATURE—*Continued*

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 1994—*Continued*

4. RESTRICTED CASH AND SHORT-TERM DEPOSITS

Restricted cash and short-term deposits include contributions received from individuals and corporate entities, by way of bequest, gift, or donation and are to be used for specific purposes. Restricted cash and short-term deposits are managed in accordance with the donor's wishes and are invested in accordance with investment policies of the corporation.

Restricted cash and short-term deposits are comprised of:

	1994	1993
	(in thousands of dollars)	
Restricted research cash	354	399
Restricted programming cash	1,180	1,171
Systematic entomology endowment fund (Note 5)	250	250
Restricted endowment fund interest	66	61
	1,850	1,881

5. ENDOWMENT FUND

The corporation maintains an endowment in the principal amount of $250,000 received from Anne and Henry Howden that included a significant entomological collection. The endowment was established to enable professional studies and research of entomological collections for the Museum.

The principal of the systematic entomological endowment fund can not be expended. Accumulated interest earned from the endowment may be expended for specified purposes and totalled $66,000 at March 31, 1994 and is included in deferred revenues (Note 8).

In the event that the corporation decides not to maintain entomological collections, the systematic entomology endowment fund shall be transferred, along with any entomological collections, to the Royal Ontario Museum.

6. CAPITAL ASSETS

	1994			1993
	Cost	Accumulated amortization	Net book value	Net book value
	(in thousands of dollars)			
Research equipment	1,383	1,247	136	245
Technical equipment	1,392	848	544	600
Furnishings and office equipment	926	631	295	327
Computer equipment	2,842	1,924	918	908
Leasehold improvements	1,263	607	656	848
Motor vehicles	127	127		7
	7,933	5,384	2,549	2,935

7. DUE TO CANADA

The corporation overestimated its expenditures in previous years which resulted in an overstatement in the amount Due to Canada of $220,000. This amount was applied to the balance owing to Canada at March 31, 1993. A total of $266,000 remains outstanding as at March 31, 1994 with scheduled repayments of $100,000 and the remaining $166,000 to be paid in the fiscal year 1994-95.

8. DEFERRED REVENUES

Deferred revenues include receipts of gifts and bequests which are related to future period expenditures. Such receipts are deferred and recognized when corresponding expenses are incurred.

Changes in the deferred revenue balance are as follows:

	1994	1993
	(in thousands of dollars)	
Beginning balance, deferred revenue	1,631	1,035
Less amount recognized as revenue	(564)	(256)
Add amount received related to future periods	554	852
Ending balance, deferred revenue	1,621	1,631

Deferred revenue is comprised as follows:

	1994	1993
	(in thousands of dollars)	
Restricted research cash (Note 4)	354	399
Restricted programming cash (Note 4)	1,180	1,171
Restricted endowment fund interest (Note 5)	66	61
Travelling exhibit deposits	21	
	1,621	1,631

9. PARLIAMENTARY APPROPRIATION

	1994	1993
	(in thousands of dollars)	
Department of Canadian Heritage	18,822	19,541
Frozen allotment—Budget restrictions		(489)
Revised level	18,822	19,052
Severance cost reimbursement (Note 11)	732	
Separation cost reimbursement	198	
Total appropriation	19,752	19,052
Total appropriation has been applied as follows:		
Operating expenses	18,938	17,895
Acquisition of capital assets	814	1,157
	19,752	19,052

CANADIAN MUSEUM OF NATURE—*Concluded*

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 1994—*Concluded*

10. COMMERCIAL OPERATIONS

Commercial operations income is comprised as follows:

	1994	1993
	(in thousands of dollars)	
Publishing and boutique revenue	522	404
Cost of goods sold	(284)	(230)
Publishing and boutique gross profit	238	174
Admission fees	420	335
Parking	227	198
Rental of facilities	133	118
Total commercial operations income	1,018	825

11. SEVERANCE COSTS

An evaluation of the long-term strategic direction of the corporation resulted in a restructuring of Museum priorities, current resource levels, and human resource base. This decision impacted 51 positions and resulted in the layoff of 43 employees.

Total severance costs in the amount of $2,178,000 were determined according to the Work Force Adjustment Policy. The corporation's portion was $1,446,000 and the Government of Canada was liable for $732,000.

Severance cost expensed in the current year amounted to $1,598,000. It is comprised of total severance costs of $2,178,000 less previously recorded provisions for employee termination benefits of $580,000.

12. CONTRACTUAL COMMITMENTS

At March 31, 1994, the corporation had outstanding commitments in the amount of $1,735,000 relating to operations and to be expensed over the next three fiscal years.

13. RELATED PARTY TRANSACTIONS

In addition to those related party transactions disclosed elsewhere in these financial statements, the corporation is related in terms of common ownership to all Government of Canada created departments, agencies and Crown corporations. The corporation enters into transactions with these entities in the normal course of business.

14. CONTINGENCIES

As a result of layoffs during the year, claims relating to severance payments are pending against the corporation in respect to the application of Work Force Adjustment Policy. The assessment of these claims is not determinable and the outcome is unknown at this time. Consequently, these claims are not recorded in the financial statements. The effect, in any, of the ultimate resolution of these matters wil be accounted for as a period cost when known.

15. SIGNIFICANT EVENT

Custody transfer of buildings

An agreement to transfer the administration of Crown property and leasehold interests from Public Works/Government Services Canada (PW/GSC) to the corporation was negotiated during the year. This agreement proposes to transfer adequate resources to operate and maintain the existing 13 Corporate facilities and complete the stonework project at the Victoria Memorial Museum Building. The resources are approximately $9 million per year exclusive of $1.4 million for grants in lieu of taxes, which will remain the responsibility of PW/GSC.

This agreement is subject to Ministerial approval and provision of sufficient Government funding.

16. COMPARATIVE FIGURES

The 1993 comparative figures have been restated to conform to the 1994 statement presentation and change in accounting policy.

CANADIAN NATIONAL RAILWAY SYSTEM

MANAGEMENT REPORT

The accompanying consolidated financial statements of Canadian National Railway System and all information in this annual report are the responsibility of management and have been approved by the board of directors.

The financial statements have been prepared by management in conformity with Canadian generally accepted accounting principles. These statements include some amounts that are based on best estimates and judgments. Financial information used elsewhere in the annual report is consistent with that in the financial statements.

Management of the Company, in furtherance of the integrity and objectivity of data in the financial statements, has developed and maintains a system of internal accounting controls and supports an extensive program of internal audits. Management believes that this system of internal accounting controls provides reasonable assurance that financial records are reliable and form a proper basis for preparation of financial statements and that assets are properly accounted for and safeguarded.

The board of directors carries out its responsibility for the financial statements in this report principally through its audit committee, consisting solely of outside directors. The audit committee reviews the Company's annual consolidated financial statements and recommends their approval by the board of directors. Also, the audit committee meets regularly with the Chief-Internal Audit and with the Shareholder's Auditors, appointed by the Government of Canada.

These consolidated financial statements have been audited by the Shareholder's Auditors, Raymond, Chabot, Martin, Paré, General Partnership; Poissant Thibault—Peat Marwick Thorne; and Deloitte & Touche whose report is presented below.

Yvon H. Masse
Executive Vice-President and Chief Financial Officer

AUDITORS' REPORT

TO THE MINISTER OF TRANSPORT

We have audited the consolidated balance sheets of Canadian National Railway System as at December 31, 1993 and 1992 and the consolidated statements of income, retained earnings and changes in financial position for each of the years in the three-year period ended December 31, 1993. These financial statements are the responsibility of the System's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the System as at December 31, 1993 and 1992 and the results of its operations and the changes in its financial position for each of the years in the three-year period ended December 31, 1993 in accordance with generally accepted accounting principles.

Raymond, Chabot, Martin, Paré
General Partnership
Chartered Accountants
(For the years ended December 31, 1993, 1992 and 1991)

Poissant Thibault—Peat Marwick Thorne
Chartered Accountants
(For the years ended December 31, 1993 and 1992)

Deloitte & Touche
Chartered Accountants
(For the year ended December 31, 1991)

Montreal, Quebec
March 1, 1994

CANADIAN NATIONAL RAILWAY SYSTEM—*Continued*

CONSOLIDATED BALANCE SHEET DECEMBER 31
(in millions of dollars)

ASSETS	1993	1992
Current assets:		
Accounts receivable	441	473
Material and supplies	226	235
Other	279	299
	946	1,007
Investments	130	134
Properties	5,906	5,795
Other assets and deferred charges	124	117
Total assets	7,106	7,053

LIABILITIES AND SHAREHOLDER'S EQUITY		1993		1992
Current liabilities:				
Bank indebtedness		82		165
Accounts payable and accrued charges		1,191		1,102
Current portion of long-term debt		146		213
Other		278		312
		1,697		1,792
Other liabilities and deferred credits		1,040		1,109
Long-term debt		1,953		1,657
Minority interest in subsidiary companies		4		4
SHAREHOLDER'S EQUITY				
Capital Stock	2,279		2,279	
Retained earnings	133	2,412	212	2,491
Total liabilities and shareholder's equity		7,106		7,053

See accompanying notes to consolidated financial statements.

On behalf of the board:

BRIAN R.D. SMITH
Director

PAUL M. TELLIER
Director

CANADIAN NATIONAL RAILWAY SYSTEM—*Continued*

CONSOLIDATED STATEMENT OF INCOME
YEAR ENDED DECEMBER 31
(in millions of dollars)

	1993	1992	1991
CN North America:			
Canadian Rail Operations			
Revenues	3,459	3,483	3,490
Expenses	3,327	4,160	3,318
Operating income (loss)	132	(677)	172
Other income (expense)	4	(21)	13
Interest expense	(193)	(196)	(206)
Loss	(57)	(894)	(21)
U.S. Rail Operations			
Revenues	481	392	377
Expenses	491	547	432
Operating loss	(10)	(155)	(55)
Other income (expense)	(4)	(2)	5
Interest expense	(4)	(4)	(3)
Loss	(18)	(161)	(53)
Total Loss CN North America	(75)	(1,055)	(74)
Enterprises Group:			
CN Real Estate			
Revenues	64	61	72
Expenses	46	41	42
Income	18	20	30
CN Exploration			
Revenues	35	36	33
Expenses	39	34	29
Income (loss)	(4)	2	4
AMF Technotransport			
Revenues	48		
Expenses	55		
Loss	(7)		
Canac International			
Revenues	89	66	54
Expenses	92	64	51
Income (loss)	(3)	2	3
CN Tower			
Revenues	28	24	22
Expenses	24	21	17
Income	4	3	5
Other	1	10	2
Total Income Enterprises Group	9	37	44
Loss from continuing operations before income taxes	(66)	(1,018)	(30)
Income tax (provision) recovery	(13)	13	2
Loss from continuing operations	(79)	(1,005)	(28)
Discontinued operations			
Reversal of provisions for disposal costs of previously discontinued operations net of applicable income taxes of $10			14
Net loss	(79)	(1,005)	(14)

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF RETAINED EARNINGS
YEAR ENDED DECEMBER 31
(in millions of dollars)

	1993	1992	1991
Balance, beginning of year	212	1,252	1,266
Net loss	(79)	(1,005)	(14)
Dividend		(35)	
Balance, end of year	133	212	1,252

See accompanying notes to consolidated financial statements.

CANADIAN NATIONAL RAILWAY SYSTEM—*Continued*

CONSOLIDATED STATEMENT OF CHANGES
IN FINANCIAL POSITION
YEAR ENDED DECEMBER 31
(in millions of dollars)

	1993	1992	1991
Operating activities:			
Loss from continuing operations	(79)	(1,005)	(28)
Non-cash items in loss:			
Depreciation and amortization	270	281	278
Provision for special workforce reduction		887	
Adoption of a new accounting policy for post-retirement benefits other than pensions		64	
Income of equity investees less dividends	(13)	(2)	(17)
Deferred income taxes		(26)	(18)
Write-down of properties	16		
Loss (gain) on disposal of unconsolidated affiliate	2	(8)	
Changes in current assets and liabilities:			
Accounts receivable	32	(2)	(30)
Material and supplies	9	5	20
Other current assets	20	(46)	27
Accounts payable and accrued charges	89	111	27
Other current liabilities	(34)	68	(35)
Other	(59)	(21)	47
Cash provided from continuing operations	253	306	271
Investing activities:			
Additions to properties	(438)	(334)	(239)
Net proceeds from disposal of properties	41	11	18
Investments in unconsolidated affiliates	1	(2)	(7)
Advances from unconsolidated affiliates	10	5	14
Proceeds from sale of unconsolidated affiliate	1	11	
Repayment of advances by unconsolidated affiliate	3	4	3
Cash used by investing activities	(382)	(305)	(211)
Dividends paid to shareholder		(78)	
Cash provided (used) before financing activities	(129)	(77)	60
Financing activities:			
Issuance of long-term debt	554	371	155
Reduction of long-term debt	(342)	(430)	(130)
Cash provided from (used by) financing activities	212	(59)	25
Net increase (decrease) in cash	83	(136)	85
Bank indebtedness, beginning of year	(165)	(29)	(114)
Bank indebtedness, end of year	(82)	(165)	(29)

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Introduction

All references in these Notes to the "Company" refer to Canadian National Railway Company which is wholly-owned by the Government of Canada and, unless the context otherwise requires, its consolidated subsidiaries, and all references to the "System" mean Canadian National Railway Company and its consolidated subsidiaries together with the lines of railway and other property entrusted by the Government of Canada to the Company for management and operation.

(a) Principles of Consolidation

The consolidated financial statements include the accounts of all significant subsidiaries and, consistent with the legislation governing the System, the accounts of the Canadian Government Railways entrusted to the Company by the Government of Canada.

Investments in entities in which the Company has less than a majority interest are accounted for by the equity method, where appropriate.

(b) Revenues

Transportation: Revenues are generally recognized on completion of movements, with interline movements being treated as complete when the shipment is turned over to the connecting carrier. Costs associated with movements not completed are deferred.

Real estate: Rental revenues are recognized as earned. Revenues from disposition of properties are recognized on completion of the sale. The share of income from joint ventures is recognized on an equity basis and reported as Other income.

(c) Reporting by Segment

In presenting the results by segment, intersegment charges for services have not been eliminated. Consolidated net income is not affected by this practice.

(d) Foreign Exchange

The Company's foreign operations are classified as integrated and are translated and accounted for on the following bases. Current assets (excluding material and supplies), current liabilities and long-term debt are translated at the rates in effect at the balance sheet date, whereas all other assets and liabilities are translated at historical rates. Revenues and expenses are translated at average rates during the year except for depreciation which is translated at exchange rates prevailing when the related properties were acquired.

The Company's own foreign denominated assets and liabilities are accorded similar treatment. Revenues and expenses are translated at rates prevailing at the time of the transactions except for revenues designated as a hedge against repayment of foreign denominated long-term debt which are translated at the rate in effect at the inception of the debt.

CANADIAN NATIONAL RAILWAY SYSTEM—*Continued*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—*Continued*

Currency gains and losses are reflected in net income for the year, except for unrealized foreign currency gains and losses on long-term debt. The Company has designated future U.S. dollar revenue streams as a hedge against the repayment of most of its long-term debt denominated in U.S. dollars, and has thus deferred reflecting the related unrealized foreign currency translation gains and losses in net income until the earlier of the debt repayment or the expiry of the hedge. Unrealized foreign currency gains and losses related to long-term debt denominated in U.S. dollars not covered by the hedge are deferred and amortized over the remaining life of the debt. Such deferred amounts are included in the Consolidated Balance Sheet as part of Other Assets and Deferred Charges.

(e) Material and Supplies

The inventory is valued at laid down cost based on weighted average cost for ties and rails, latest invoice price for fuel and new materials in stores, and at estimated utility or sales value for usable second hand, obsolete and scrap materials.

(f) Properties

Accounting for railway properties is carried out in accordance with rules issued by the National Transportation Agency of Canada (Canadian properties) and the Interstate Commerce Commission (United States properties). Generally, major additions and replacements are capitalized and interest costs are charged to expense.

The cost of depreciable railway assets retired or disposed of, less salvage value, is charged to accumulated depreciation, in accordance with the group plan of depreciation. Other depreciable assets retired or disposed of are accounted for in accordance with the unit plan whereby gains or losses are taken into income as they occur.

The Company follows the successful efforts method of accounting for its oil and gas operations whereby the acquisition costs of oil and gas properties, the costs of successful exploratory wells and the costs of drilling and equipping development wells are capitalized.

CN Real Estate's income producing properties are stated at cost. Properties under development and properties held for development or resale are stated at the lower cost and net realizable value. Carrying costs of properties under development are capitalized. Such costs include real estate taxes, insurance, interest and other expenses directly related to the development activity.

(g) Depreciation

Depreciation is calculated on a straight-line basis at rates sufficient to allocate the cost of properties over their estimated useful lives. For railway properties, depreciation rates are authorized by the National Transportation Agency of Canada and the Interstate Commerce Commission. The rates for significant classes of assets are as follows:

Asset class	Annual rate
Ties	2.71%-2.73%
Rails	1.93%
Other track material	2.40%-3.32%
Ballast	3.27%
Road locomotives	3.51%-4.30%
Freight cars	0.63%-3.15%

Acquisition costs of oil and gas properties are amortized on a straight-line basis over the term of the lease until such time as the properties are determined to be productive or judged to be impaired. Acquisition costs of productive properties and costs of successful exploratory drilling and of drilling and equipping development wells are charged against income on the unit-of-production method based upon proven reserves of oil and gas. Exploratory dry hole and acquisition costs judged to be impaired are charged against income in the current period. Other exploratory expenditures are charged against income as incurred.

CN Real Estate assets are depreciated using the straight-line method calculated over the estimated economic life of the asset.

(h) Pensions

Pension costs are determined periodically by independent actuaries. Pension expense is charged annually to operations and comprises the total of:

— the cost of pension benefits provided in exchange for employees' services rendered during the year, and

— the amortization of past service costs over the expected average remaining service life of the employee group covered by the plans.

The pension plans are funded through contributions determined in accordance with the accrued benefit actuarial cost method.

(i) Post-Retirement Benefits Other Than Pensions

In 1992, the Company adopted prospectively the policy of accruing the costs of post-retirement benefits other than pensions, which include life insurance programs, medical benefits and supplemental pension allowances not covered in the Company's principal pension plans. Free rail travel benefits are accrued beginning in 1993.

(j) Environmental Expenditures

Environmental expenditures that relate to current operations are expensed or capitalized as appropriate. Expenditures that relate to an existing condition caused by past operations, and which do not contribute to current or future revenue generation, are expensed. Liabilities are recorded when environmental assessments and/or remedial efforts are likely, and the costs can be reasonably estimated. Generally, the timing of these accruals coincides with the completion of a feasibility study or the Company's commitment to a formal plan of action.

2. SPECIAL CHARGES

(a) Special Workforce Reduction Charge

In 1992, a provision of $921 million was made by the Company in respect of a program to improve productivity through workforce reductions. The provision includes elements of cost in Canada and the United States relating to severance payments, early retirement incentives, bridging to early retirement, relocations and foreign exchange. Of the total provision, $887 million was charged to 1992 operations and $34 million relates to prior years. The current portion of the provision is included in the Consolidated Balance Sheet as part of Accounts payable and accrued charges and the balance as part of Other Liabilities and Deferred Credits.

CANADIAN NATIONAL RAILWAY SYSTEM—*Continued*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—*Continued*

(b) Post-Retirement Benefits Other Than Pensions

In 1992, the adoption of a new accounting policy for post-retirement benefits other than pensions resulted in the Company's recording a charge to operations of $64 million. In 1993, a charge of $33 million was made representing an accrual for free rail travel benefits. The current portion of the provision giving rise to these charges is included in the Consolidated Balance Sheet as part of Accounts payable and accrued charges and the balance as part of Other Liabilities and Deferred Credits.

3. SUBSIDIES

Revenues include the following subsidies received from the Government of Canada:

	Year ended December 31		
	1993	1992	1991
	(in millions of dollars)		
(a) Payments under the *Railway Act* paid under authority of that Act and the related *Appropriation Act* in respect of certain uneconomic operations, services and prescribed rates which railways are required by the *Railway Act* to maintain	8	11	8
(b) *Maritime Freight Rates Act* and *Atlantic Region Freight Assistance Act* subsidies	17	15	15
Total	25	26	23

4. RAIL EXPENSES

	Year ended December 31		
	1993	1992	1991
	(in millions of dollars)		
Canadian Rail Operations:			
Railway operations	1,131	1,146	1,093
Way and structures	485	470	453
Equipment	480	447	465
Depreciation and amortization	236	252	251
General and administrative	685	1,512	726
Other	310	333	330
	3,327	4,160	3,318
U.S. Rail Operations:			
Railway operations	188	157	162
Way and structures	57	53	55
Equipment	49	45	41
Depreciation and amortization	15	14	14
General and administrative	44	169	53
Other	138	109	107
	491	547	432
Total	3,818	4,707	3,750

The general and administrative expenses for Canadian and U.S. Rail Operations include special charges relating to work-force reductions and post-retirement benefits other than pensions. Excluding these charges, the comparative numbers are as follows:

	Year ended December 31		
	1993	1992	1991
	(in millions of dollars)		
Canadian Rail Operations	644	682	726
U.S. Rail Operations	44	48	53

CANADIAN NATIONAL RAILWAY SYSTEM—*Continued*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—*Continued*

5. SYSTEM INTEREST EXPENSE-NET

	Year ended December 31		
	1993	1992	1991
	(in millions of dollars)		
Interest on long-term debt	198	195	197
Interest on short-term borrowings	6	6	12
Interest income	(5)	(1)	(1)
Total	199	200	208

6. SEGMENTED INFORMATION

(a) Geographic Areas

Virtually all of the System's operations and assets are within Canada with the exception of U.S. Rail Operations.

(b) International Traffic

In addition to the revenue generated by U.S. Rail Operations, the System derives revenue from traffic originating or terminating on railroads in the United States. In 1993, such revenues approximated $709 million (1992—$666 million, 1991—$629 million).

(c) Additional information on segments:

	Year ended December 31		
	1993	1992	1991
	(in millions of dollars)		
Revenues:			
CN North America			
Canadian Rail Operations	3,459	3,483	3,490
U.S. Rail Operations	481	392	377
Enterprises group			
CN Real Estate	64	61	72
CN Exploration	35	36	33
AMF Technotransport (d)	48		
Canac International	89	66	54
CN Tower	28	24	22
Other	4	4	4
	4,208	4,066	4,052
Depreciation and Amortization:			
CN North America			
Canadian Rail Operations	236	252	251
U.S. Rail Operations	15	14	14
Enterprises group			
CN Real Estate	3	3	2
CN Exploration	13	10	9
AMF Technotransport (d)	1		
CN Tower	2	2	2
	270	281	278

	Year ended December 31		
	1993	1992	1991
	(in millions of dollars)		
Capital Expenditures:*			
CN North America			
Canadian Rail Operations	397	282	194
U.S. Rail Operations	12	22	10
Enterprises group			
CN Real Estate	11	18	20
CN Exploration	14	10	13
AMF Technotransport (d)	1		
CN Tower	3	2	2
	438	334	239
Identifiable Assets:			
CN North America			
Canadian Rail Operations	6,076	6,120	6,078
U.S. Rail Operations	544	541	504
Enterprises group			
CN Real Estate	239	235	225
CN Exploration	69	70	72
AMF Technotransport (d)	86		
Canac International	30	27	27
CN Tower	58	56	56
Other	4	4	3
	7,106	7,053	6,965

* Represents additions to properties.

(d) AMF Technotransport

AMF was formed as a division of Canadian Rail Operations on January 1, 1992 to manufacture and remanufacture transportation equipment. Effective September 1, 1993, the operations previously performed by the AMF Division of Canadian Rail Operations, were transferred to a new separate legal entity, AMF Technotransport Inc. The management of that new entity is significantly changing its strategic direction and operations to be more competitive in the marketplace. As a result, the information shown in the Consolidated Statement of Income relates to the four months of operations ended December 31, 1993.

The results of operations previously performed by the AMF Division and included in Canadian Rail Operations expenses, were revenues of $84 million and a $19 million loss for the eight months ended August 31, 1993 (for the year ended December 31, 1992—$103 million revenues and $11 million income). These figures exclude losses on contracts entered into prior to January 1, 1992, since full responsibility for such losses was assumed by the Canadian Rail Operations.

At December 31, 1992, identifiable assets belonging to AMF Division and included in Canadian Rail Operations assets were $82 million. Depreciation for the Division included in Canadian Rail Operations expenses was $1 million for the eight months ended August 31, 1993 (for the year ended December 31, 1992—$1 million).

CANADIAN NATIONAL RAILWAY SYSTEM—*Continued*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—*Continued*

7. INCOME TAXES

(a) The Company's (provision for) recovery of income taxes on continuing operations is made up as follows:

	Year ended December 31		
	1993	1992	1991
	(in millions of dollars)		
Recovery of income taxes on income from continuing operations based on combined basic Canadian federal and provincial tax rate for 1993 of 41.7% (1992—41.6%; 1991—41.0%)	28	423	13
(Increase) decrease in taxes resulting from:			
Gain on sales of land	4	4	7
Gain from sale of an investment		1	
Federal large corporations tax	(12)	(13)	(15)
Other	(5)	(5)	(3)
Losses for which tax benefit is not recognized	(28)	(397)	
Total	(13)	13	2
(Provision for) recovery of income taxes represented by:			
Current	(13)	(13)	(16)
Deferred (b)		26	18
	(13)	13	2

(b) Deferred income taxes resulted primarily from the difference between capital cost allowance claimed for income tax and depreciation recorded for accounting purposes.

(c) The Company has timing differences of approximately $1,000 million for which benefits have not been recognized in the financial statements. These benefits are available to reduce taxable income of future years.

(d) Investment tax credits are also available to reduce future income taxes otherwise payable until the related year of expiry as follows:

Year	(in millions of dollars)
1994	34
1995	30
1996	19
1997	14
1998	9
1999	2
2000-2003	4

CANADIAN NATIONAL RAILWAY SYSTEM—*Continued*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—*Continued*

8. INVESTMENTS

	Percentage of voting interest	December 31 1993	December 31 1992
		(in millions of dollars)	
Entities accounted for by equity method:			
CNCP Niagara-Detroit Partnership ...	50%	21	19
The Toronto Terminals Railway Company ...	50%	11	11
Others ...		46	51
		78	81
Other investments at cost less provisions for impairment where applicable ...		52	53
Total ...		130	134

9. PROPERTIES

	December 31, 1993 Cost	December 31, 1993 Accumulated depreciation	December 31, 1993 Net	December 31, 1992 Cost	December 31, 1992 Accumulated depreciation	December 31, 1992 Net
			(in millions of dollars)			
CN North America:						
Canadian Rail Operations:						
Track and Roadway ...	5,890	2,128	3,762	5,444	1,748	3,696
Buildings ...	706	335	371	740	347	393
Rolling Stock ...	1,686	798	888	1,619	775	844
Other ...	658	454	204	951	754	197
	8,940	3,715	5,225	8,754	3,624	5,130
U.S. Rail Operations ...	546	171	375	548	167	381
Total CN North America (a) ...	9,486	3,886	5,600	9,302	3,791	5,511
Enterprises Group:						
CN Real Estate ...	203	30	173	192	27	165
CN Exploration ...	156	94	62	145	81	64
AMF Technotransport ...	47	33	14			
CN Tower ...	77	21	56	75	20	55
Other ...	3	2	1	2	2	
Total Enterprises Group ...	486	180	306	414	130	284
Total ...	9,972	4,066	5,906	9,716	3,921	5,795
Amounts included above with respect to Canadian Government Railways entrusted to the Company by the Government of Canada (b) ...	1,045	661	384	1,088	637	451

(a) At December 31, 1993 the gross value of assets under capital leases included above was $103 million (1992-$103 million) and related accumulated amortization amounted to $32 million (1992—$28 million).

(b) By Order in Council P.C. 1993-1603 dated July 22, 1993, the Governor in Council authorized the de-entrustment and conveyance to the Company of the railways and title to related lands and facilities forming the Canadian Government Railways. In consideration, the Company assumes certain obligations related to the lands and facilities transferred. In addition, CN shall compensate the Government of Canada for its financial obligations related to the Intercolonial and P.E.I. Railway Employees Provident Fund commencing on the date of execution of the agreement. The de-entrustment and conveyance process are expected to be implemented in respect of particular blocks of land within a period of five years.

CANADIAN NATIONAL RAILWAY SYSTEM—*Continued*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—*Continued*

10. OTHER LIABILITIES AND DEFERRED CREDITS

	December 31 1993	December 31 1992
	(in millions of dollars)	
Special workforce reduction	533	653
Personal injury liability	117	124
Accrual for post-retirement benefits other than pensions	112	64
Deferred credits	278	268
Total	1,040	1,109

11. LONG-TERM DEBT

	Maturity	Currency in which payable	December 31 1993	December 31 1992
			(in millions of dollars)	
Bonds, Debentures and Notes:				
Canadian National Series:				
9-7/8% 8 Year Notes	Mar. 18, 1994	C$	100	100
6-1/2% 10 Year Japanese Yen Notes (a)	Mar. 26, 1996	C$	70	70
9-3/8% 10 Year Notes	Oct. 1, 1996	C$	100	100
8-1/4% 5 Year Notes	July 21, 1997	C$	200	200
9-1/4% 20 Year Sinking Fund Debentures	Mar. 15, 1998	US$		18
7-1/2% 5 Years Notes	May 19, 1998	C$	150	
10% 7 Year Notes	Oct. 23, 1998	C$	150	150
9-5/8% 7 Year Notes	May 14, 1999	C$	150	150
5-3/8% 15 Year Swiss Franc Bonds (b)	Aug. 22, 2000	C$	99	99
8-7/8% 15 Year Notes	May 21, 2001	C$	150	150
8-3/8% 25 Year Sinking Fund Debentures	July 1, 2002	US$	44	53
6-5/8% 10 Years Notes	May 15, 2003	US$	190	
9.70% 25 Year Sinking Fund Debentures	July 15, 2004	US$		108
13% 20 Year Sinking Fund Debentures	Nov. 15, 2004	C$	77	80
12-1/4% 20 Year Sinking Fund Debentures	May 1, 2005	C$	112	117
14% 25 Year Sinking Fund Debentures	Jan. 15, 2006	US$		26
14-3/4% 30 Year Sinking Fund Debentures	Sept. 1, 2012	US$		28
12% 30 Year Sinking Fund Debentures	Mar. 15, 2013	US$		123
7-5/8% 30 Year Debentures	May 15, 2023	US$	190	
Buffalo and Lake Huron Series:				
5-1/2% 1st Mortgage Bonds	Perpetual	ú	1	1
5-1/2% 2nd Mortgage Bonds	Perpetual	ú	1	1
Total Bonds, Debentures and Notes			1,784	1,574
Government of Canada Loan (c)			100	117
Other:				
Amounts owing under equipment purchase agreements (d)		Various	105	90
Capital lease obligations (e)		Various	81	85
Adjustment to current exchange rate (see Note 1 (d))			26	26
Total Other			212	201
			2,096	1,892
Less:				
In-substance defeasance				26
Current portion of long-term debt			146	213
Net Unamortized (premium) discount and other			(3)	(4)
			143	235
Total			1,953	1,657

CANADIAN NATIONAL RAILWAY SYSTEM—*Continued*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—*Continued*

(a) The Company borrowed $70 million at an all-inclusive cost of 10.25% by means of a Euro-yen public note issue and a currency swap.

(b) The Company borrowed $99 million at an all-inclusive cost of 11.17% by means of a public bond issue in Switzerland and a currency swap.

(c) The Government of Canada loan bears interest at 8-3/4% per annum and is payable in equal semi-annual instalments of $14 million covering principal and interest to June 30, 1998.

(d) Secured by rolling stock and payable by semi-annual or quarterly instalments over various periods to 2003 at interest rates ranging from 6% to 13-3/4%. At December 31, 1993, the principal amounts are payable as U.S. $32 million and Canadian $64 million (1992—U.S. $36 million, Canadian $43 million).

(e) Interest rates for these leases range from approximately 7% to 17 3/4% with expiry dates in the years 1994 through 2004. The imputed interest on these leases amounts to $49 million (1992—$58 million).

(f) Principal repayments, including sinking fund repayments, repurchase arrangements and capital lease repayments, on debt outstanding at December 31, 1993, are as follows:

Year ending December 31	(in millions of dollars)
1994	146
1995	47
1996	219
1997	253
1998	342
1999-2003	765
2004 and thereafter	318

12. SHAREHOLDER'S EQUITY

(a) Capital Stock

The capital stock of Canadian National Railway Company amounting to $2,279 million consists of 5,868,786 common shares of no par value authorized, issued and outstanding which are owned by the Government of Canada.

(b) Retained Earnings

The Company is required, under the *Financial Administration Act*, to submit a dividend proposal as part of its corporate plan. The Governor in Council may prescribe, waive or vary the dividend proposed. Prior to amendments in 1992 to its governing legislation, the Company was required to pay to the Receiver General for Canada a dividend equal to 20% of net income for the year, or such greater percentage as the Governor in Council might have directed.

In 1993, the Company's corporate plan submitted to the shareholder proposed that, in light of large net cash and refinancing requirements, no cash dividend be paid. The dividends paid in 1992 included amounts based on income in earlier years, when the minimum dividend of 20% of net income was required, and a special dividend related to the anticipated sale of CN Exploration.

13. MAJOR COMMITMENTS AND CONTINGENCIES

(a) Operating Leases

The Company's commitments as at December 31, 1993, under operating leases total $1,567 million, with annual net minimum payments in each of the five years following 1993 of:

Year	(in millions of dollars)
1994	170
1995	147
1996	147
1997	158
1998	156

(b) Other Commitments

The Company has commitments at December 31, 1993, for capital expenditures of $18 million for rolling stock and intermodal equipment, $26 million for railway ties, $17 million for rail, and $31 million related to the St. Clair Tunnel Project.

(c) Contingencies

In the normal course of its operations, the Company becomes involved in various legal actions, including claims relating to injuries, damage to property and environmental matters. While the final outcome with respect to actions outstanding or pending at December 31, 1993 cannot be predicted with certainty, it is the opinion of management that their resolution will not have a material adverse effect on the System's financial position.

14. PENSIONS

The Company has retirement benefit plans covering substantially all its employees under which they are entitled to benefits at retirement age generally based on compensation and length of service and/or contributions.

The actuarial valuations as at December 31, 1992, revealed a consolidated actuarial liability of $7,562 million and a consolidated actuarial asset value of $7,131 million. It is estimated that those amounts could approximate $7,700 million and $7,400 million respectively as at December 31, 1993. Subsequent actuarial valuations will determine the actuarial values at that date.

	Year ended December 31		
	1993	1992	1991
	(in millions of dollars)		
Annual pension costs	104	105	115

CANADIAN NATIONAL RAILWAY SYSTEM—*Concluded*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—*Concluded*

15. OTHER MATTERS

(a) The Company carries on ordinary business transactions with various entities controlled by the Government of Canada on the same terms and conditions as current transactions with unrelated parties.

In addition, the Company provides, under contractual arrangements, rail transportation and maintenance services to the Government of Canada and to entities controlled by the latter. The revenue derived from such services rendered in 1993 aggregated $91 million (1992—$88 million, 1991—$92 million).

(b) Following enactment of the *Western Grain Transportation Act*, which became effective on January 1, 1984, the Government of Canada, in order to minimize the cost to grain shippers, pays a portion of the cost of shipping grain. Amounts received from the Government of Canada under the *Western Grain Transportation Act* amounted to $330 million in 1993 (1992—$395 million, 1991—$414 million), a reflection principally of the volume of grain handled.

16. SUBSEQUENT EVENT

On February 18, 1994, GT Finance Company, a wholly-owned U.S. subsidiary of the Company, entered into the necessary arrangements to issue 2,000 shares of Auction Preferred Stock at a purchase price of US $100,000 per share. This sale is expected to be finalized in March 1994 and the proceeds will be used for general corporate purposes and for the construction of the St. Clair Tunnel.

17. RECLASSIFICATION OF COMPARATIVE FIGURES

During 1993, changes were made to improve the classification of certain items and for comparative purposes the 1992 and 1991 figures have been reclassified.

CANADIAN SALTFISH CORPORATION

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The preparation and presentation of the financial statements is the responsibility of Canadian Saltfish Corporation's management. These financial statements have been prepared in accordance with generally accepted accounting principles, using management's best estimates and judgements that are considered appropriate to the Corporation's circumstances.

Management is responsible for the reliability and integrity of the financial statements including the notes to the statements and other financial information contained in the annual report. In addition, management is also responsible for maintaining books of account, information systems, systems of financial and management control. These managerial controls and procedures are intended to provide reasonable assurance that accurate financial information is available, that assets are safeguarded and controlled, that resources are managed efficiently, and that transactions are conducted in accordance with relevant legislation and the Corporation's by-laws.

The Board of Directors is responsible for ensuring that management fulfils its responsibilities for financial reporting and internal control. The Board oversees its responsibilities through the Audit Committee. The Committee reviews matters related to accounting, auditing, internal control systems, and the financial statements.

The Auditor General of Canada, the independent auditor of the Corporation appointed under the *Financial Administration Act*, has audited the Corporation's financial statements in accordance with generally accepted auditing standards. The auditor has full and unrestricted access to the Audit Committee to discuss his audit and related findings and the adequacy of the system of internal controls.

The financial statements and the annual report have been approved by the Board of Directors.

Gregory Viscount
President

Keith Connors
Chief Financial Officer

AUDITOR'S REPORT

TO THE MINISTER OF FISHERIES AND OCEANS

I have audited the balance sheet of the Canadian Saltfish Corporation as at March 31, 1994 and the statements of operations, deficit and changes in financial position for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 1994 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles. As required by the *Financial Administration Act*, I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Corporation that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Saltfish Act* and the by-laws of the Corporation.

Raymond Dubois, FCA
Deputy Auditor General
for the Auditor General of Canada

Ottawa, Canada
May 19, 1994

CANADIAN SALTFISH CORPORATION—*Continued*

BALANCE SHEET AS AT MARCH 31, 1994

ASSETS	1994	1993
	$	$
Current		
Cash	377,840	
Accounts receivable		
Trade	117,061	757,217
Other	216,919	79,400
Advances to producers	10,429	314,454
Inventory at the lower of cost or net realizable value	23,597	16,839
	745,846	1,167,910
Capital assets (Note 4)	325,220	738,871
	1,071,066	1,906,781

LIABILITIES	1994	1993
	$	$
Current		
Bank indebtedness		41,097
Working capital loans from Canada (Note 5)	3,650,000	3,325,000
Accounts payable and accrued liabilities	124,173	103,245
Current portion of accrued employee termination benefits	298,056	185,743
	4,072,229	3,655,085
Long-term		
Accrued employee termination benefits		200,998
	4,072,229	3,856,083
DEFICIT OF CANADA		
Deficit	(3,001,163)	(1,949,302)
	1,071,066	1,906,781

Dissolution of Corporation (Note 2)

Approved by the Board:

GREGORY VISCOUNT
Director

PIERRE J. VAGNEUX
Director

CANADIAN SALTFISH CORPORATION—*Continued*

STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 1994

	1994	1993
	$	$
Operations:		
Sales (net of freight and insurance)	882,726	862,431
Cost of goods sold	928,670	1,066,712
Amortization of production assets		70,932
	928,670	1,137,644
Gross loss on sales	45,944	275,213
Commission income	45,293	233,535
Interest income	45,892	90,096
	91,185	323,631
Gross profit on operations	45,241	48,418
Expenses:		
Administrative	604,193	767,792
Selling	309,231	355,161
Interest (Note 5)	164,934	237,802
Amortization of administrative assets	38,918	101,717
Bad debt expense (net of recoveries) (Note 6)	16,634	231,021
	1,133,910	1,693,493
Net loss on operations	1,088,669	1,645,075
Other expenses (revenues) (net) (Schedule)	(36,808)	304,227
Net loss for the year	1,051,861	1,949,302

STATEMENT OF DEFICIT
FOR THE YEAR ENDED MARCH 31, 1994

	1994	1993
	$	$
Balance at beginning of the year	1,949,302	29,043,638
Forgiveness of debt—Government of Canada (Note 7)		(29,043,638)
Net loss for the year	1,051,861	1,949,302
Balance at end of the year	3,001,163	1,949,302

STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED MARCH 31, 1994

	1994	1993
	$	$
Funds were provided by (used for):		
Investing activities		
Proceeds from disposal of capital assets	414,735	331,664
Purchase of capital assets		(15,064)
	414,735	316,600
Financing activities		
Increase in working capital loans from Canada (net of debt forgiveness) (Note 7)	325,000	368,638
Repayment of capital asset loan from Canada		(800,000)
	325,000	(431,362)
Operating activities		
Net loss for the year	(1,051,861)	(1,949,302)
Adjustments for non-cash items		
Bad debts	30,000	347,245
Amortization	38,918	172,649
Employee termination benefit expense	171,954	158,636
Writedown of capital assets	8,337	39,885
Gain on sale of capital assets	(48,339)	(217,852)
	(850,991)	(1,448,739)
Decrease in other non cash working capital	790,832	1,165,325
Employee termination benefit payments	(260,639)	(14,515)
	(320,798)	(297,929)
Net funds provided (used)	418,937	(412,691)
Cash (bank indebtedness) at beginning of the year	(41,097)	371,594
Cash (bank indebtedness) at end of the year	377,840	(41,097)

CANADIAN SALTFISH CORPORATION—*Continued*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1994

1. Authority, objectives and operations of the Corporation

The Canadian Saltfish Corporation was established by the *Saltfish Act* in 1970, to improve the earnings of the primary producers of cured codfish. The Corporation is an agent Crown corporation of Canada without share capital, named in Part I of Schedule III to the *Financial Administration Act* and is required to conduct its operations on a self-sustaining financial basis. The Corporation is dependent on the Government of Canada for working capital and capital asset loans and is not subject to income taxes.

Through agreements between the Government of Canada and the Provinces of Newfoundland and Quebec, the Corporation has the exclusive right to trade in and market cured codfish and its by-products in the Province of Newfoundland and the lower north shore of Quebec and is required to buy all cured codfish of an acceptable standard of quality offered for sale therein. The Corporation also has the authority to issue licenses for the purchase and/or export of saltfish.

On the Island of Newfoundland, the Corporation offers marketing services to those Island producers wishing to use the sales network of the Corporation. The Corporation receives a commission from producers using this service. Elsewhere, fish is purchased from fishermen, processed through the Corporation's facilities or by producers and subsequently marketed by the Corporation, primarily to foreign countries.

2. Dissolution of Corporation

The Minister of Fisheries and Oceans announced on May 11, 1994 that following consultations with the saltfish industry and the Governments of Newfoundland and Labrador and Quebec, the Government of Canada intends to dissolve the Canadian Saltfish Corporation.

3. Significant accounting policies

Amortization

Amortization is calculated using the straight-line method and is based on the estimated useful lives of the assets as follows:

Buildings	20 years
Equipment	3 to 10 years
Furniture and fixtures	5 years

Foreign currency translation

Monetary assets and liabilities are translated at exchange rates in effect at the balance sheet date. Revenues and expenses are translated at the rate of exchange prevailing on the transaction date. The resulting foreign currency translation gains and losses are included in the results of operations.

Pension plan

Employees are covered by the Public Service Superannuation Plan administered by the Government of Canada. Contributions to the plan are required from both the employee and the Corporation. Contributions with respect to current services are expensed on a current basis. The Corporation is not required under present legislation to make contributions with respect to actuarial deficiencies of the Public Service Superannuation Account.

Employee termination benefits

Employees are entitled to specific benefits on termination as provided for under labour contracts and conditions of employment. The liability for these benefits is recorded in the accounts as the benefits accrue to the employees. Any additional termination benefits are expensed in the year the decision is made to reduce staff levels.

4. Capital assets

	1994			1993
	Cost	Accumulated amortization	Net book value	Net book value
	$	$	$	$
Land	77,274		77,274	77,274
Buildings	710,720	508,623	202,097	438,597
Equipment	558,289	516,670	41,619	215,388
Furniture and fixtures	73,778	69,548	4,230	7,612
	1,420,061	1,094,841	325,220	738,871

The above assets are being held for resale and have been valued at the lower of their cost or estimated net realizable value.

5. Loans from Canada

Working capital loans are interest bearing (based upon current rates as set by the Bank of Canada) and are repayable within one year. Total loans outstanding from Canada and banks shall not exceed $50 million.

6. Bad debts

During 1993-94, the Corporation recovered $13,366 (1993—$116,224) in excess of the previously estimated net book value of certain receivables. An additional bad debt expense of $30,000 (1993—$347,245) was recognized during the year.

7. Forgiveness of debt from Government of Canada

During 1992-93, $29,043,638 of the Corporation's debt from Canada was forgiven through *Appropriation Act No. 3, 1992 - 93*. This amount represented the Corporation's deficit as at March 31, 1992.

8. Related party transactions

The Corporation has extended a contract with the Department of Fisheries and Oceans to lease an office building in St.John's, Newfoundland. This lease expires on June 30, 1994. During 1993-94, the Corporation earned rental revenue of $139,060 (1993—$22,018).

CANADIAN SALTFISH CORPORATION—*Concluded*

SCHEDULE OF OTHER EXPENSES (REVENUES) (NET)
FOR THE YEAR ENDED MARCH 31, 1994 SCHEDULE

	1994	1993
	$	$
Deactivated plant costs	81,865	67,898
Writedown of capital assets	8,337	39,885
Punchbowl operations (net)	1,529	43,057
Vessel operations (net)	898	212,573
Other revenue	(400)	(34,918)
Supplies inventory adjustment	(19,566)	193,584
Gain on sale of capital assets	(48,339)	(217,852)
Rental income (net)	(61,132)	
	(36,808)	304,227

THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED JULY 31, 1994
WERE NOT AVAILABLE AT DATE OF PRINTING

THE CANADIAN WHEAT BOARD—*Continued*

AUDITORS' REPORT

TO THE CANADIAN WHEAT BOARD

We have audited the financial statements of the Canadian Wheat Board set out as Exhibits I to VIII and notes thereto which include the balance sheet as at July 31, 1993, and the statements of operations for the 1992-93 pool accounts for wheat, amber durum wheat, and barley for the period, August 1, 1992 to completion of operations on September 30, 1993 and for designated barley for the period August 1, 1992 to completion of operations on October 31, 1993, the statement of administrative and general expenses and allocations to operations for the year ended July 31, 1993, the statement of advance payments to producers under *Prairie Grain Advance Payments Act* as at July 31, 1993, and the statement of special account transactions for the year ended July 31, 1993. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Board as at July 31, 1993, and the results of its operations and the changes in its financial position for the periods shown, in accordance with generally accepted accounting principles.

Deloitte & Touche
Chartered Accountants

Winnipeg, Canada
March 4, 1994

BALANCE SHEET AS AT JULY 31, 1993
(with prior year's figures for comparison)

EXHIBIT I

ASSETS	1993	1992
	$	$
Stocks of grain: (Note 1(a))—		
Wheat	1,032,606,735	428,093,166
Durum	152,800,981	35,517,344
Barley	119,770,067	38,236,183
Designated Barley	17,844,322	31,417,476
	1,323,022,105	533,264,169
Accounts receivables—Due from foreign customers (Note 2)	6,801,406,657	6,235,386,389
Accounts receivable (Note 3)		
Amounts due on completed sales	26,533,413	60,188,978
Sundry	27,921,401	25,770,086
Prairie Grain Advance Payments Act	415,384,685	371,648,615
The Canadian Wheat Board building, Winnipeg, at cost less depreciation	1,206,054	1,306,441
Covered hopper cars, at cost less depreciation (Note 4)	48,334,488	51,263,851
Office furniture, equipment and automobiles, at cost less depreciation	1,915,470	1,507,954
Deferred charges—Trade (Note 5)		13,804,118
Deferred and prepaid expenses	5,339,117	2,293,652
	8,651,063,390	7,296,434,253

LIABILITIES	1993	1992
	$	$
Short term borrowings (Note 6)	6,849,397,443	6,348,882,523
Liability to agents for grain purchased from producers (Note 7)	737,479,954	179,726,020
Liability to agents for deferred cash tickets (Note 8)	58,798,687	32,204,346
Accrued expenses and accounts payable (Note 9)	92,341,032	48,349,521
Outstanding adjustment and final payment cheques to producers—		
Wheat	10,954,966	1,515,036
Durum	1,583,174	231,473
Oats	3,021	3,021
Barley	62,638	147,197
Designated Barley	72,175	58,186
Special Account—Net balance of undistributed payment accounts (Note 10)	4,252,177	5,471,265
Provision for final payment expenses (Note 11)	3,665,531	1,528,477
Surpluses resulting from operations:		
Pool Account—		
Wheat	708,452,483	500,169,766
Durum	116,387,977	101,253,487
Barley	47,943,196	42,557,368
Designated Barley	19,668,936	34,336,567
	8,651,063,390	7,296,434,253

LORNE F. HEHN
Chief Commissioner

FORREST M. HETLAND
Assistant Chief Commissioner

RICHARD H. KLASSEN
Commissioner

GORDON P. MACHEJ
Commissioner

KEN BESWICK
Commissioner

THE CANADIAN WHEAT BOARD—*Continued*

STATEMENT OF OPERATIONS

1992-93 POOL ACCOUNT—WHEAT
FOR THE PERIOD AUGUST 1, 1992, TO COMPLETION OF OPERATIONS ON SEPTEMBER 30, 1993
(with prior year's figures for the 1991-92 Pool Account ended August 31, 1992 for comparison) EXHIBIT II

	1992-93		1991-92	
	Tonnes	Amount	Tonnes	Amount
		$		$
Wheat acquired:				
Purchased from Producers at Board initial prices basis in store Thunder Bay or Vancouver	22,820,299	2,579,360,586	19,324,862	2,098,980,169
Net tonnes acquired from the adjustment of overages and shortages, etc., at country and terminal elevators at Board initial prices basis in store Thunder Bay or Vancouver	138,169	14,952,596	104,199	11,344,138
Purchased from prior year Pool Account—Wheat	518,139	78,517,142	1,628,630	192,808,614
	23,476,607	2,672,830,324	21,057,691	2,303,132,921
Wheat sold:				
Completed sales to July 31 basis in store Thunder Bay, Vancouver or Churchill:				
Domestic	1,685,542		1,204,873	
Export	14,982,267		17,125,732	
Weight losses in transit and in drying	3,776		3,251	
	16,671,585	2,464,276,962	18,333,856	2,449,408,054
Wheat Stocks—Being Wheat stocks on hand at July 31 stated at the ultimate value received from the sale thereof, basis in store Thunder Bay, Vancouver or Churchill:				
Completed sales for the period subsequent to July 31:				
Domestic	372,632		140,534	
Export	2,718,621		2,065,162	
Sale to the subsequent Pool Account—Wheat	3,713,769		518,139	
	6,805,022	1,032,606,735	2,723,835	428,093,166
	23,476,607	3,496,883,697	21,057,691	2,877,501,220
Surplus on Wheat transactions		824,053,373		574,368,299
Operating Costs:				
Carrying charges:				
Carrying charges on Wheat stored in country elevators		54,971,310		43,118,088
Storage on Wheat stored in terminal elevators		33,250,406		18,607,205
		88,221,716		61,725,293
Interest and bank charges		(61,465,661)		(38,747,835)
Demurrage/Despatch		4,990,216		859,482
Additional Freight—Wheat shipped from country stations to terminal position		41,169,180		19,623,426
—Freight rate change		6,405,385		239,723
Drying charges		1,323,460		15,709
Interest and depreciation on Wheat Board hopper cars		5,341,692		4,087,373
Wheat Board administrative and general expenses		29,614,902		26,395,362
		115,600,890		74,198,533
Surplus on operations of the Board on the Pool Account—Wheat, for the period from August 1, 1992, to September 30, 1993 (1991-92 August 31, 1992)		708,452,483		500,169,766

THE CANADIAN WHEAT BOARD—*Continued*

STATEMENT OF OPERATIONS

1992-93 POOL ACCOUNT—AMBER DURUM WHEAT
FOR THE PERIOD AUGUST 1, 1992, TO COMPLETION OF OPERATIONS ON SEPTEMBER 30, 1993
(with prior year's figures for the 1991-92 Pool Account ended August 31, 1992 for comparison)

EXHIBIT III

	1992-93		1991-92	
	Tonnes	Amount	Tonnes	Amount
		$		$
Durum acquired:				
Purchased from Producers at Board initial prices basis in store Thunder Bay or Vancouver	3,371,021	391,028,982	2,795,236	270,663,321
Net tonnes acquired from the adjustment of overages and shortages, etc., at country and terminal elevators at Board initial prices basis in store Thunder Bay or Vancouver	5,291	662,610	18,359	1,736,029
Purchased from prior year Pool Account—Durum			361,892	37,784,171
	3,376,312	391,691,592	3,175,487	310,183,521
Durum sold:				
Completed sales to July 31 basis in store Thunder Bay, Vancouver or Churchill:				
Domestic	174,232		145,749	
Export	2,229,495		2,701,232	
Weight losses in transit and in drying	2,848		1,326	
	2,406,575	368,689,464	2,848,307	383,807,523
Durum Stocks—Being Durum stocks on hand at July 31 stated at the ultimate value received from the sale thereof, basis in store Thunder Bay, Vancouver or Churchill:				
Completed sales for the period subsequent to July 31:				
Domestic	18,735		21,929	
Export	554,816		305,251	
Sale to the subsequent Pool Account—Durum	396,186			
	969,737	152,800,981	327,180	35,517,344
	3,376,312	521,490,445	3,175,487	419,324,867
Surplus on Amber Durum Wheat transactions		129,798,853		109,141,346
Operating Costs:				
Carrying charges:				
Carrying charges on Durum stored in country elevators		7,530,466		5,055,322
Storage on Durum stored in terminal elevators		6,931,615		3,726,236
		14,462,081		8,781,558
Interest and bank charges		(7,948,514)		(5,558,265)
Demurrage/Despatch		173,659		102,991
Additional Freight—Durum shipped from country stations to terminal position		888,242		456,772
—Freight rate change		638,026		(303,807)
Drying charges		33,585		2,089
Interest and depreciation on Wheat Board hopper cars		789,076		588,576
Wheat Board administrative and general expenses		4,374,721		3,817,945
		13,410,876		7,887,859
Surplus on operations of the Board on the Pool Account—Durum, for the period from August 1, 1992, to September 30, 1993 (1991-92 August 31, 1992)		116,387,977		101,253,487

THE CANADIAN WHEAT BOARD—*Continued*

STATEMENT OF OPERATIONS

1992-93 POOL ACCOUNT—BARLEY
FOR THE PERIOD AUGUST 1, 1992, TO COMPLETION OF OPERATIONS ON SEPTEMBER 30, 1993
(with prior year's figures for the 1991-92 Pool Account ended August 31, 1992 for comparison) EXHIBIT IV

	1992-93		1991-92	
	Tonnes	Amount	Tonnes	Amount
		$		$
Barley acquired:				
Purchased from Producers at Board initial prices basis in store Thunder Bay or Vancouver	3,328,087	290,864,737	1,994,574	171,300,892
Net tonnes acquired from the adjustment of overages and shortages, etc., at country and terminal elevators at Board initial prices basis in store Thunder Bay or Vancouver	9,120	823,272	4,029	345,236
Purchased from prior year Pool Account—Barley	200,521	22,942,942	204,758	19,254,974
	3,537,728	314,630,951	2,203,361	190,901,102
Barley sold:				
Completed sales to July 31 basis in store Thunder Bay, Vancouver or Churchill	2,276,455	264,745,627	1,871,780	202,712,651
Weight losses in transit and in drying	144		(313)	
Barley stocks—Being Barley stocks on hand at July 31 stated at the ultimate value received from the sale thereof, basis in store Thunder Bay, Vancouver or Churchill				
Completed sales for the period subsequent to July 31	583,974	55,384,744	131,373	15,293,241
Sale to the subsequent Pool Account—Barley	677,155	64,385,323	200,521	22,942,942
	3,537,728	384,515,694	2,203,361	240,948,834
Surplus on Barley transactions		69,884,743		50,047,732
Operating Costs:				
Carrying charges:				
Carrying charges on Barley stored in country elevators		9,399,488		4,221,991
Storage on Barley stored in terminal elevators		4,122,485		1,596,649
		13,521,973		5,818,640
Interest and bank charges		(6,442,337)		(5,596,079)
Demurrage/Despatch		(196,053)		146,575
Additional Freight—Barley shipped from country stations to terminal position		8,586,775		3,923,491
—Freight rate change		1,315,654		48,415
Drying charges		57,505		4,997
Interest and depreciation on Wheat Board hopper cars		779,026		419,985
Wheat Board administrative and general expenses		4,319,004		2,724,340
		21,941,547		7,490,364
Surplus on operations of the Board on the Pool Account—Barley, for the period from August 1, 1992, to September 30, 1993 (1991-92 August 31, 1992)		47,943,196		42,557,368

THE CANADIAN WHEAT BOARD—*Continued*

STATEMENT OF OPERATIONS

1992-93 POOL ACCOUNT—DESIGNATED BARLEY
FOR THE PERIOD AUGUST 1, 1992, TO COMPLETION OF OPERATIONS ON OCTOBER 31, 1993
(with prior year's figures for the 1991-92 Pool Account ended October 31, 1992 for comparison)

EXHIBIT V

	1992-93		1991-92	
	Tonnes	Amount	Tonnes	Amount
		$		$
Designated Barley acquired:				
Purchased from Producers at Board initial prices basis in store Thunder Bay or Vancouver	918,890	123,255,563	1,684,140	194,827,702
Designated Barley sold:				
Completed sales to July 31 basis in store Thunder Bay or Vancouver	801,192	125,271,878	1,459,537	197,991,018
Designated Barley stocks—Being Designated Barley stocks on hand at July 31 stated at the ultimate value received from the sale thereof, basis in store Thunder Bay or Vancouver:				
Completed sales for the period subsequent to July 31	117,698	17,844,322	224,603	31,417,476
	918,890	143,116,200	1,684,140	229,408,494
Surplus on Designated Barley transactions		19,860,637		34,580,792
Operating Costs:				
Storage		17,036		38,235
Interest		(1,178,048)		(2,281,000)
Demurrage/Despatch		(59,119)		(215,469)
Interest and depreciation on Board hopper cars		215,090		356,473
Wheat Board administrative and general expenses		1,196,742		2,345,986
		191,701		244,225
Surplus on operations of the Board on the Pool Account—Designated Barley, for the period from August 1, 1992, to October 31, 1993 (1991-92 October 31, 1992)		19,668,936		34,336,567

THE CANADIAN WHEAT BOARD—*Continued*

STATEMENT OF ADMINISTRATIVE AND GENERAL EXPENSES AND ALLOCATIONS TO OPERATIONS FOR THE YEAR ENDED JULY 31, 1993
(with prior year's figures for comparison)

EXHIBIT VI

	1992-93	1991-92
	$	$
Administrative and General Expenses:		
Salaries—Board members, officers and staff	19,950,071	18,588,352
Unemployment insurance, pension, group insurance, medical and other employee benefits	2,939,150	2,895,932
Manitoba Health and Education Tax	429,574	441,980
Advisory Committee operating costs	150,808	137,175
Rental and lighting of offices, including maintenance of The Canadian Wheat Board Building	2,231,606	1,939,880
Telephones—Telex, and facsimile transmissions	652,738	601,422
Postage	715,672	691,665
Printing, stationery and supplies	589,137	555,505
Annual report and "Grain Matters", etc.	209,202	183,231
District meetings	56,028	15,253
Management consulting	195,368	385,109
Office and miscellaneous	1,495,205	1,252,843
Travelling and transfer of staff	1,326,288	1,335,858
Area Representatives	240,729	216,442
Legal fees and court costs	112,209	140,179
Audit fees	157,000	120,000
Computing equipment—Rental and sundries	3,589,798	3,679,479
Repair and upkeep of office machines and equipment	79,005	44,582
Grain market publications and services	155,567	151,216
The Canadian Wheat Board share of operating expenses of Canadian International Grains Institute	1,186,331	1,459,203
Bonds and insurance	45,775	40,257
Depreciation on building, furniture, equipment and automobiles	492,685	465,325
Review panel		467
	36,999,946	35,341,355

		1992-93	1991-92
		$	$
Allocations to Operations:			
1. Marketing of Producers' Grain			
1992-93 Pool Account—Wheat	15,503,369		
1992-93 Pool Account—Durum	2,290,162		
1992-93 Pool Account—Barley	2,260,994		
1992-93 Pool Account—Designated Barley	623,682		
1991-92 Pool Account—Wheat	11,858,346		
1991-92 Pool Account—Durum	1,715,245		
1991-92 Pool Account—Barley	1,223,933		
1991-92 Pool Account—Designated Barley	1,072,478		
		36,548,209	35,217,818
2. Distributing Final Payments to Producers			
(a) Wheat and Durum			
1991-92 Pool Account—Wheat	267,936		
1991-92 Pool Account—Durum	56,010		
1989-90 Pool Account—Wheat	5,240		
1989-90 Pool Account—Durum	1,384		
1988-89 Pool Account—Wheat	2,646		
1988-89 Pool Account—Durum	660		
1987-88 Pool Account—Wheat	2,473		
1987-88 Pool Account—Durum	579		
1986-87 Pool Account—Wheat	1,789		
1986-87 Pool Account—Durum	1,745		
		340,462	46,880
(b) Coarse Grains			
1991-92 Pool Account—Barley	68,381		
1991-92 Pool Account—Designated Barley	31,353		
1990-91 Pool Account—Designated Barley	6,061		
1989-90 Pool Account—Barley	1,943		
1989-90 Pool Account—Designated Barley	386		
1988-89 Pool Account—Designated Oats	58		
1988-89 Pool Account—Barley	1,205		
1988-89 Pool Account—Designated Barley	236		
1987-88 Pool Account—Oats	154		
1987-88 Pool Account—Designated Oats	19		
1987-88 Pool Account—Barley	704		
1987-88 Pool Account—Designated Barley	187		
1986-87 Pool Account—Oats	530		
1986-87 Pool Account—Designated Oats	58		
		111,275	76,657
		36,999,946	35,341,355

THE CANADIAN WHEAT BOARD—*Continued*

STATEMENT OF ADVANCE PAYMENTS TO PRODUCERS
UNDER THE *PRAIRIE GRAIN ADVANCE PAYMENTS ACT*
AS AT JULY 31, 1993

EXHIBIT VII

	Cash Advances to Producers	Advances Repaid by Producers	Balance to be Refunded by Producers
	$	$	$
1957-58 Crop Year	35,203,467	35,200,848	2,619
1958-59 Crop Year	34,369,653	34,366,768	2,885
1959-60 Crop Year	38,492,505	38,490,061	2,444
1960-61 Crop Year	63,912,550	63,905,338	7,212
1961-62 Crop Year	16,656,713	16,651,472	5,241
1962-63 Crop Year	29,251,526	29,245,974	5,552
1963-64 Crop Year	62,136,418	62,129,679	6,739
1964-65 Crop Year	32,961,844	32,955,727	6,117
1965-66 Crop Year	40,600,386	40,596,511	3,875
1966-67 Crop Year	36,668,270	36,664,915	3,355
1967-68 Crop Year	47,280,533	47,277,578	2,955
1968-69 Crop Year	151,852,319	151,771,755	80,564
1969-70 Crop Year	272,777,516	272,482,716	294,800
1970-71 Crop Year	91,105,890	91,076,244	29,646
1971-72 Crop Year	68,142,360	68,109,571	32,789
1972-73 Crop Year	20,754,104	20,743,234	10,870
1973-74 Crop Year	35,259,387	35,220,735	38,652
1974-75 Crop Year	46,635,399	46,609,707	25,692
1975-76 Crop Year	20,236,528	20,208,239	28,289
1976-77 Crop Year	130,592,220	130,484,635	107,585
1977-78 Crop Year	119,090,916	118,932,241	158,675
1978-79 Crop Year	151,316,450	151,201,691	114,759
1979-80 Crop Year	99,146,581	99,085,511	61,070
1980-81 Crop Year	61,640,150	61,601,763	38,387
1981-82 Crop Year	333,688,190	333,284,021	404,169
1982-83 Crop Year	309,022,755	308,325,846	696,909
1983-84 Crop Year	286,736,519	286,078,116	658,403
1984-85 Crop Year	201,289,320	200,536,791	752,529
1985-86 Crop Year	340,670,296	339,814,623	855,673
1986-87 Crop Year	642,511,850	640,909,877	1,601,973
1987-88 Crop Year	563,607,958	560,601,993	3,005,965
1988-89 Crop Year	319,522,186	316,882,069	2,640,117
1989-90 Crop Year(1)	144,260,874	140,966,529	3,294,345
1990-91 Crop Year	1,461,790,445	1,448,083,150	13,707,295
1991-92 Crop Year	1,163,737,749	1,141,727,563	22,010,186
1992-93 Crop Year	1,081,150,782	665,161,679	415,989,103
	8,554,072,609	8,087,385,170	

Balance to be refunded by Producers as at July 31, 1993		466,687,439
Add: Bank interest to July 31, 1993 payable by the Government of Canada	332,617,278	
Less: Amount paid by the Government to July 31, 1993	331,088,270	1,529,008
Bank interest to July 31, 1993	15,782,507	
Less: Amount paid by Producers to July 31, 1993	15,751,857	30,650
		468,247,097
Deduct: Balance of funds received:		
Government of Canada—To cover advance payments in default	52,482,712	
Line Elevator Companies—To cover advance payments in default	1,116,991	
Line Elevator Companies—To cover current advances	107,007	
Interest received on default payments	21,308,922	
Less: Interest forwarded to the Government of Canada	(22,153,220)	52,862,412
Owing to The Canadian Wheat Board as at July 31, 1993		415,384,685

(1) During the 1989-90 Crop Year, the producer was required to pay interest on the cash advance. During the 1990-91, 1991-92 and 1992-93 Crop Years, the producer was required to pay interest on the part of the cash advance that was in excess of $50,000. In prior years, the Government of Canada paid all the interest.

THE CANADIAN WHEAT BOARD—*Continued*

STATEMENT OF SPECIAL ACCOUNT TRANSACTIONS
FOR THE YEAR ENDED JULY 31, 1993

EXHIBIT VIII

						$
Balance of Special Account as at July 31, 1992						5,471,265
Expenditures:						
Authorized by Order-in-Council No.	Description of Purpose	Unexpended as at July 31, 1992	Authorized Crop Year 1992-93	Unexpended as at July 31, 1993	Expended Crop Year 1992-93	
		$	$	$	$	
PC 1992-2062	Market Development	420,523		200,529	219,994	
PC 1991-1246	Canadian International Grains					
PC 1992-2063	Institute—Capital Expenditures	753,340		100,612	652,728	
PC 1991-2548	Founding Chairs Program	100,000		75,000	25,000	
PC 1990-1538	Scholarship Program	53,377	296,623	30,739	319,261	
		1,327,240	296,623	406,880		1,216,983
						4,254,282
Less: Payments to Producers against old payment accounts						2,105
Balance of Special Account as at July 31, 1993						4,252,177

As at July 31, 1993 there were unexpended authorizations totalling $406,880 leaving an unallocated balance of $3,845,297 in the Account.

THE CANADIAN WHEAT BOARD—*Continued*

FINANCIAL RESULTS AND NOTES TO FINANCIAL STATEMENTS

The Financial Statements of the Canadian Wheat Board including notes thereto for the crop year under review are presented in this section of the report. These statements consist of the Balance Sheet (Exhibit I), which sets forth the financial position of the Board as at July 31, 1993, together with other statements (Exhibits II to VIII) showing the results of Board operations for the year, all as tabulated in the index preceding the financial statements.

The practice of the Board is to include in its accounts at July 31 the final operating results of pool accounts where marketing operations have been completed before the issuance of the annual report. Operations on the 1992-93 Pool Accounts for wheat, amber durum wheat and barley were completed on September 30, 1993, and on October 31, 1993, for designated barley. Details of the final operating results of these pool accounts with commentary thereon are presented in this section of the report.

Although the basic measurement for grain has been the "tonne" since February 1, 1978, for your information a tonne equals 36.74371 bushels of wheat, or 45.92963 bushels of barley.

POOL ACCOUNT—WHEAT

Initial Payments

At the beginning of the crop year, The Government of Canada set fixed initial prices of $116.71, $114.21 and $112.00 per metric tonne for No. 1 Canada Western Red Spring 14.5, No. 1 Canada Western Red Spring 13.5 and No. 1 Canada Western Red Spring Wheat respectively. Effective December 24, 1992 the initial price for No. 1 Canada Western Red Spring 14.5 was increased to $130.71 and the initial price for No. 1 Canada Western Red Spring 13.5 was increased to $120.21. Effective June 1, 1993, the initial price per metric tonne for No. 1 Canada Western Red Spring 14.5 was increased to $142.71, for No. 1 Canada Western Red Spring 13.5 was increased to $132.71, and for No. 1 Canada Western Red Spring Wheat was increased to $124.00.

Supplies of Wheat

Supplies of wheat in the 1992-93 Pool were 23 476 607 tonnes, comprised of 22 820 299 tonnes delivered by producers, 138 169 tonnes acquired from other than producers and 518 139 tonnes purchased from the previous pool.

Grade Pattern

Deliveries of grain to the 1992-93 Pool Account were higher but quality was down significantly compared to the previous pool. Deliveries of Nos. 1 and 2 Canada Western Red Spring totalled 9.637 million tonnes or 42.23 per cent of total receipts compared to 90.72 per cent for the previous pool, while No. 3 Canada Western Red Spring receipts of 6.160 million tonnes amounted to 26.99 per cent of total receipts. Deliveries of other types of wheat amounted to 7.023 million tonnes or 30.78 per cent of total producer deliveries of which 5.465 million tonnes or 23.95 per cent of total receipts was Canada Western Feed.

THE CANADIAN WHEAT BOARD—*Continued*

FINANCIAL RESULTS AND NOTES TO FINANCIAL STATEMENTS—*Continued*

STATEMENT OF OPERATIONS AND SURPLUS FOR DISTRIBUTION TO PRODUCERS
ON THE 1992-93 POOL ACCOUNT—WHEAT
FOR THE PERIOD AUGUST 1, 1992, TO SEPTEMBER 30, 1993
(with prior year's figures for the 1991-92 Pool Account ended August 31, 1992 for comparison)

TABLE A

	1992-93 Pool Account		1991-92 Pool Account	
	Amount	Rate per Tonne	Amount	Rate per Tonne
Receipts from Producers	22 820 299 tonnes		19 324 862 tonnes	
	$	$	$	$
Sales Value	3,403,413,959	149.140	2,673,348,468	138.337
Initial Payment to Producers	2,579,360,586	113.029	2,098,980,169	108.615
Gross Surplus	824,053,373	36.111	574,368,299	29.722
Deduct Operating Costs:				
Carrying Charges:				
Country Elevators	54,971,310	2.409	43,118,088	2.231
Terminal Storage	33,250,406	1.457	18,607,205	0.963
Total Carrying Charges	88,221,716	3.866	61,725,293	3.194
Interest	(61,465,661)	(2.694)	(38,747,835)	(2.005)
Demurrage/Despatch	4,990,216	0.219	859,482	0.045
Additional Freight:				
—To terminals	41,169,180	1.804	19,623,426	1.015
—Freight rate change	6,405,385	0.281	239,723	0.012
Drying	1,323,460	0.058	15,709	0.001
Interest and Depreciation on Wheat Board Hopper Cars	5,341,692	0.234	4,087,373	0.212
Wheat Board Administrative Expenses	29,614,902	1.298	26,395,362	1.366
Total Operating Costs	115,600,890	5.066	74,198,533	3.840
Surplus on Operations	708,452,483	31.045	500,169,766	25.882
Deduct: Interim Payment	303,619,748	13.305	173,923,760	9.000
	404,832,735	17.740	326,246,006	16.882
Add: Interest earned after September 30	6,610,209	0.290	7,779,332	0.403
Deduct: Cost of Issuing Interim and Final Payments	287,438	0.013	244,544	0.013
Deduct: Rebate on Producer Cars	158,775	0.007	171,174	0.009
Balance for Distribution to Producers	410,996,731	18.010	333,609,620	17.263

FINAL STATEMENT OF OPERATIONS AND SURPLUS FOR DISTRIBUTION TO PRODUCERS—WHEAT—TABLE A

Table A shows the operating results of the Pool Account for the crop year. Marketing operations resulted in a surplus of $708,452,483. After deducting the interim payment of $303,619,748 made to producers in November 1993, providing for producer car rebates of $158,775, allowing for the cost of issuing the interim and final payments, and adding estimated interest earnings subsequent to September 30, 1993, the net surplus for distribution to producers amounted to $410,996,731. This net surplus represents an average of $18.010 per tonne on producer deliveries of 22 820 299 tonnes. Table B shows the total price realized by producers for No. 1 Canada Western Red Spring at $156.823 compared to $134.135 for the previous pool.

THE CANADIAN WHEAT BOARD—*Continued*

FINANCIAL RESULTS AND NOTES TO FINANCIAL STATEMENTS—*Continued*

PAYMENTS RECEIVED BY PRODUCERS FOR PRINCIPAL GRADES OF WHEAT
BASIS IN STORE THUNDER BAY OR VANCOUVER

TABLE B

Grade	Initial Payment	Interim Payment	Final Payment	Total
	(dollars per tonne)			
No. 1 Canada Western Red Spring 14.5	142.71	15.00	33.654	191.364
No. 1 Canada Western Red Spring 13.5	132.21	15.00	19.534	166.744
No. 1 Canada Western Red Spring	124.00	15.00	17.823	156.823
No. 2 Canada Western Red Spring 13.5	120.21	15.00	22.933	158.143
No. 2 Canada Western Red Spring	118.21	15.00	16.783	149.993
No. 3 Canada Western Red Spring	109.00	15.00	21.193	145.193
No. 1 Canada Prairie Spring (Red)	109.00	15.00	21.412	145.412
No. 1 Canada Prairie Spring (White)	114.00	15.00	23.323	152.323
No. 2 Canada Prairie Spring (Red)	107.00	15.00	21.412	143.412
No. 2 Canada Prairie Spring (White)	111.00	15.00	24.823	150.823
No. 1 Canada Western Utility	122.21	15.00	22.629	159.839
No. 2 Canada Western Utility	109.00	15.00	25.044	149.044
Canada Western Feed	100.00	8.00	12.743	120.743
No. 1 Canada Western Red Winter	122.21	15.00	22.176	159.386
No. 2 Canada Western Red Winter	118.21	15.00	22.174	155.384
No. 1 Canada Western Soft White Spring	115.00	15.00	24.964	154.964
No. 2 Canada Western Soft White Spring	111.00	15.00	25.664	151.664

OPERATING COSTS

Operating costs incurred applicable to the Pool Account were $115,600,890 or $5.066 per tonne. Details of the principal costs and comment thereon follows:

Carrying Charges—$88,221,716

Total carrying charges incurred by the Board, including storage and interest charges on wheat in country elevators and storage on wheat in terminal elevators, amounted to $88,221,716 or $3.866 per tonne.

Interest—$(61,465,661)

This amount consists mainly of interest expense/earnings and interest paid to, or received from, other Board accounts. Interest earned exceeded interest paid by $61,465,661 or $2.694 per tonne.

Additional Freight:

To Terminals—$41,169,180

Freight Rate Change—$6,405,385

During the crop year the Board incurred $41,169,180 in rail freight costs that in addition to *Western Grain Transportation Act* deductions, were required to cover the shift in movement of grain necessary to meet increased west coast exports.

With the passage of the *Western Grain Transportation Act* on December 31, 1983, freight rates are now reviewed and adjusted annually. On August 1, 1993, freight rates increased by approximately 14.5 per cent and the Board was required to pay the additional freight on the country stocks held by its agents on August 1, 1993, amounting to $ 6,405,385 in the Wheat Account.

Drying Charges—$1,323,460

Drying charges for 1992-93 totaled $1,323,460, a significant increase from the previous year, reflecting higher quantities of tough and damp grain delivered to the pool under review.

Interest and Depreciation on Canadian Wheat Board Hopper Cars—$5,341,692

Costs for the use of the Board's 2,000 hopper cars (1,941 remain in the fleet at July 31, 1993) include depreciation and interest. Hopper car expenses attributable to the 1992-93 Wheat Account totaled $5,341,692 compared to $4,087,373 for the previous pool.

Administrative and General Expenses—$29,614,902

This item represents the portion of the cost of operating the Board, including salaries, employee benefits, travel and the cost of operating the Board's head office premises as well as other branches in Canada and overseas that was charged to the Wheat Account. Since the Pool Accounts run for periods which overlap crop years, some part of the operating costs for two consecutive crop years are allocated to the Pool Accounts based on length of time the Pool Accounts were open and tonnage handled. Charges allocated to the 1992-93 Wheat Account were $29,614,902 or $1.298 per tonne on producer receipts of 22 820 299 tonnes compared with $26,395,362 or $1.366 per tonne on producer receipts of 19 324 862 tonnes for the previous pool.

Administrative and general expenses for the 1992-93 crop year from August 1, 1992, to July 31, 1993, totaled $36,999,946 compared to $35,341,355 for the 1991-92 crop year; an increase of $1,658,591 or 4.69 per cent.

POOL ACCOUNT—AMBER DURUM WHEAT

Initial Payments

At the beginning of the crop year a fixed initial price of $108.00 per tonne for No. 1 Canada Western Amber Durum Wheat was set by the Government of Canada. Effective June 1, 1993, the initial price was increased to $120.00 for No.1 Canada Western Amber Durum Wheat.

Supplies and Grade Pattern

Supplies of amber durum wheat in the 1992-93 Pool were 3 376 312 tonnes, comprised of 3 371 021 tonnes/ delivered by producers and 5 291 tonnes acquired from other than producers. Receipts of Nos. 1, 2 and 3 Canada Western Amber Durum totalled 2.957 million tonnes or 87.73 per cent of total producer deliveries.

THE CANADIAN WHEAT BOARD—*Continued*

FINANCIAL RESULTS AND NOTES TO FINANCIAL STATEMENTS—*Continued*

FINAL STATEMENT OF OPERATIONS—AMBER DURUM WHEAT—TABLE C

Table C shows the operating results of the Pool Account for the crop year. Marketing operations resulted in a surplus of $116,387,977. Operating expenses totalled $13,410,876 for the year or $3.978 per tonne. The principal cost was carrying charges amounting to $14,462,081 or $4.290 per tonne. After deducting the interim payment of $47,626,358 made to producers in November 1993, providing for producer car rebates of $19,549, allowing for the cost of issuing the interim and final payments, and adding estimated interest earnings subsequent to September 30, 1993, the net surplus for distribution to producers amounted to $69,783,061. This net surplus represents an average of $20,701 per tonne on producer deliveries of 3 371 021 tonnes. Table D shows the total price realized by producers for No. 1 Canada Western Amber Durum Wheat of $158.361 per tonne, compared to $135.318 per tonne for the previous year.

STATEMENT OF OPERATIONS AND SURPLUS FOR DISTRIBUTION TO PRODUCERS
ON THE 1992-93 POOL ACCOUNT—AMBER DURUM WHEAT
FOR THE PERIOD AUGUST 1, 1992, TO SEPTEMBER 30, 1993
(with prior year's figures for the 1991-92 Pool Account ended August 31, 1992 for comparison)

TABLE C

	1992-93 Pool Account		1991-92 Pool Account	
	Amount	Rate per Tonne	Amount	Rate per Tonne
Receipts from Producers	3 371 021 tonnes		2 795 236 tonnes	
	$	$	$	$
Sales Value	520,827,835	154.501	379,804,667	135.876
Initial Payment to Producers	391,028,982	115.997	270,663,321	96.830
Gross Surplus	129,798,853	38.504	109,141,346	39.046
Deduct Operating Costs:				
Carrying Charges:				
Country Elevators	7,530,466	2.234	5,055,322	1.809
Terminal Storage	6,931,615	2.056	3,726,236	1.333
Total Carrying Charges	14,462,081	4.290	8,781,558	3.142
Interest	(7,948,514)	(2.358)	(5,558,265)	(1.989)
Demurrage/Despatch	173,659	0.052	102,991	0.037
Additional Freight:				
—To terminals	888,242	0.263	456,772	0.163
—Freight rate change	638,026	0.189	(303,807)	(0.109)
Drying	33,585	0.010	2,089	0.001
Interest and Depreciation on Wheat Board Hopper Cars	789,076	0.234	588,576	0.211
Wheat Board Administrative Expenses	4,374,721	1.298	3,817,945	1.366
Total Operating Costs	13,410,876	3.978	7,887,859	2.822
Surplus on Operations	116,387,977	34.526	101,253,487	36.224
Deduct: Interim Payment	47,626,358	14.128	50,314,242	18.000
	68,761,619	20.398	50,939,245	18.224
Add: Interest earned after September 30	1,096,712	0.325	1,428,819	0.511
Deduct: Cost of Issuing Interim and Final Payments	55,721	0.016	51,121	0.018
Deduct: Rebate on Producer Cars	19,549	0.006	15,476	0.006
Balance for Distribution to Producers	69,783,061	20.701	52,301,467	18.711

PAYMENTS RECEIVED BY PRODUCERS FOR PRINCIPAL GRADES OF AMBER DURUM WHEAT
BASIS IN STORE THUNDER BAY OR VANCOUVER

TABLE D

Grade	Initial Payment	Interim Payment	Final Payment	Total
	(dollars per tonne)			
No. 1 Canada Western Amber Durum	120.00	15.00	23.361	158.361
No. 2 Canada Western Amber Durum	117.00	15.00	21.612	153.612
No. 3 Canada Western Amber Durum	113.00	15.00	19.853	147.853
No. 4 Canada Western Amber Durum	105.00	10.00	11.161	126.161
No. 5 Canada Western Amber Durum	100.00	5.00	7.344	112.344

THE CANADIAN WHEAT BOARD—*Continued*

FINANCIAL RESULTS AND NOTES TO FINANCIAL STATEMENTS—*Continued*

POOL ACCOUNT—BARLEY

Since August 1, 1975, as authorized by Order-in-Council, barley selected and accepted from producers for use in malting, pot or pearling has been set up in a separate pool under the caption "Designated Barley". As a result, the transactions remaining in the Barley Pool Account described here consist mainly of marketing results related to feeding grades of barley.

Initial Payments

At the beginning of the crop year fixed initial prices of $88.00 and $85.00 per tonne for Nos. 1 and 2 Canada Western Barley respectively were set by the Government of Canada and remained unchanged throughout the crop year.

Supplies and Grade Pattern

Supplies in the Feed Barley Pool Account were 3 537 728 tonnes, comprised of 3 328 087 tonnes delivered by producers, 9 120 tonnes acquired from other than producers, and 200 521 tonnes purchased from the previous pool. Deliveries of Nos. 1 and 2 Canada Western Barley comprised 98.92 per cent of the producer deliveries in the pool.

FINAL STATEMENT OF OPERATIONS —BARLEY—TABLE E

Table E shows the operating results of the Pool Account for the crop year. Marketing operations resulted in a surplus of $47,943,196. Operating expenses totalled $21,941,547 for the year or $6.592 per tonne. The principal cost was carrying charges amounting to $13,521,973 or $4.063 per tonne. After providing for producer car rebates of $42,567, allowing for the cost of issuing the interim and final payments, and adding estimated interest earnings subsequent to September 30, 1993, the net surplus for distribution to producers amounted to $48,421,374. This net surplus represents an average of $14.550 per tonne on producer deliveries of 3 328 087 tonnes. Table F shows the total price realized by producers for No. 1 Canada Western Barley of $102.464 per tonne, compared to $107.59 per tonne for the previous year.

STATEMENT OF OPERATIONS AND SURPLUS FOR DISTRIBUTION
TO PRODUCERS ON THE 1992-93 POOL ACCOUNT—BARLEY
FOR THE PERIOD AUGUST 1, 1992, TO SEPTEMBER 30, 1993
(with prior year's figures for the 1991-92 Pool Account ended August 31, 1992, for comparison)

TABLE E

	1992-93 Pool Account		1991-92 Pool Account	
	Amount	Rate per Tonne	Amount	Rate per Tonne
Receipts from Producers	3 328 087 tonnes		1 994 574 tonnes	
	$	$	$	$
Sales Value	360,749,480	108.395	221,348,624	110.975
Initial Payment to Producers	290,864,737	87.397	171,300,892	85.883
Gross Surplus	69,884,743	20.998	50,047,732	25.092
Deduct Operating Costs:				
Carrying Charges:				
Country Elevators	9,399,488	2.824	4,221,991	2.117
Terminal Storage	4,122,485	1.239	1,596,649	0.800
Total Carrying Charges	13,521,973	4.063	5,818,640	2.917
Interest	(6,442,337)	(1.936)	(5,596,079)	(2.806)
Demurrage/Despatch	(196,053)	(0.059)	146,575	0.073
Additional Freight:				
—To terminals	8,586,775	2.580	3,923,491	1.967
—Freight rate change	1,315,654	0.395	48,415	0.024
Drying	57,505	0.017	4,997	0.003
Interest and Depreciation on Wheat Board Hopper Cars	779,026	0.234	419,985	0.211
Wheat Board Administrative Expenses	4,319,004	1.298	2,724,340	1.366
Total Operating Costs	21,941,547	6.592	7,490,364	3.755
Surplus on Operations	47,943,196	14.406	42,557,368	21.337
Deduct: Interim Payment			17,951,166	9.000
	47,943,196	14.406	24,606,202	12.337
Add: Interest earned after September 30	561,532	0.169	631,436	0.317
Deduct: Cost of Issuing Interim and Final Payments	40,787	0.012	62,412	0.032
Deduct: Rebate on Producer Cars	42,567	0.013	23,713	0.012
Balance for Distribution to Producers	48,421,374	14.550	25,151,513	12.610

THE CANADIAN WHEAT BOARD—*Continued*

FINANCIAL RESULTS AND NOTES TO FINANCIAL STATEMENTS—*Continued*

PAYMENTS RECEIVED BY PRODUCERS FOR PRINCIPAL GRADES OF BARLEY
BASIS IN STORE THUNDER BAY OR VANCOUVER

TABLE F

Grade	Initial Payment	Final Payment	Total
		(dollars per tonne)	
No. 1 Canada Western	88.00	14.464	102.464
No. 2 Canada Western	85.00	14.464	99.464
Mixed Grain Canada Western Barley	75.45	14.464	89.914

POOL ACCOUNT—DESIGNATED BARLEY

As stated previously, since August 1, 1975, as authorized by Order-in-Council, barley selected and accepted from producers for use in malting, pot or pearling has been set up in a separate pool account. This account has been labelled "Designated Barley" and the results of operations on this account with comment thereon are contained in this section of the report.

Initial Payments

At the beginning of the crop year a fixed initial price of $100.00 per tonne for Special Select Canada Western Six-Row (Special Select CW 6-Row) and $110.00 per tonne for Special Select Canada Western Two-Row (Special Select CW 2-Row) was set by the Government of Canada. Effective November 5, 1992, initial prices were increased to $115.00 per tonne for Special Select CW 6-Row and $125.00 for Special Select CW 2-Row. On February 5, 1993, initial prices were further increased to $130.00 per tonne for Special Select CW 6-Row and $140.00 for Special Select CW 2-Row.

Supplies and Grade Pattern

Supplies of barley in the Designated Pool Account were 918 890 tonnes representing deliveries to the Board by producers during the crop year of barley which has been selected and accepted by purchasers for the use in malting, pot or pearling. Of these receipts 288 479 tonnes or 31.39 per cent were Special Select grades and 566 424 tonnes or 61.65 per cent were Select grades.

FINAL STATEMENT OF OPERATIONS AND SURPLUS FOR DISTRIBUTION TO PRODUCERS—DESIGNATED BARLEY—TABLE G

Table G shows the operating results of this Pool Account for the crop year. Marketing operations resulted in a surplus of $19,668,936. As to operating costs, it should be noted that the Designated Barley Pool by its very nature does not incur all of the handling expenses normally related to feeding grades of barley or other grains. As a result, expenses attributable to such barley were costs related to hopper cars owned by the Wheat Board, administrative charges, and terminal storage which totaled $1,428,868 or $1.555 per tonne. These expenses were reduced by net despatch monies received and interest earnings totaling $1,237,167 or $1.346 per tonne. After deducting the interim payment of $6,432,228 made to producers in November 1993, providing for the cost of issuing the interim and final payments, and adding estimated interest earnings subsequent to October 31, 1993, the net surplus for distribution to producers was $13,332,166 or $14.509 per tonne on producer deliveries of 918 890 tonnes. Table H shows the total price realized by producers for Special Select Canada Western Two-Row and Special Select Canada Western Six-Row of $160.799 and $143.899 respectively, compared to $141.996 and $126.926 per tonne respectively for the previous year.

THE CANADIAN WHEAT BOARD—*Continued*

FINANCIAL RESULTS AND NOTES TO FINANCIAL STATEMENTS—*Continued*

STATEMENT OF OPERATIONS AND SURPLUS FOR DISTRIBUTION TO PRODUCERS
ON THE 1992-93 POOL ACCOUNT—DESIGNATED BARLEY
FOR THE PERIOD AUGUST 1, 1992, TO OCTOBER 31, 1993
(with prior year's figures for the 1991-92 Pool Account ended October 31, 1992 for comparison) TABLE G

	1992-93 Pool Account		1991-92 Pool Account	
	Amount	Rate per Tonne	Amount	Rate per Tonne
Receipts from Producers	918 890 tonnes		1 684 140 tonnes	
	$	$	$	$
Sales Value	143,116,200	155.749	229,408,494	136.217
Initial Payment to Producers	123,255,563	134.135	194,827,702	115.684
Gross Surplus	19,860,637	21.614	34,580,792	20.533
Deduct Operating Costs:				
Carrying Charges—				
Terminal Storage	17,036	0.019	38,235	0.023
Interest	(1,178,048)	(1.282)	(2,281,000)	(1.355)
Demurrage/Despatch	(59,119)	(0.064)	(215,469)	(0.128)
Interest and Depreciation on Wheat Board Hopper Cars	215,090	0.234	356,473	0.212
Wheat Board Administrative Expenses	1,196,742	1.302	2,345,986	1.393
Total Operating Costs	191,701	0.209	244,225	0.145
Surplus on Operations	19,668,936	21.405	34,336,567	20.388
Deduct: Interim Payment	6,432,228	7.000	15,157,264	9.000
	13,236,708	14.405	19,179,303	11.388
Add: Interest earned after October 31	119,692	0.130	194,968	0.116
Deduct: Cost of Issuing Interim and Final Payments	24,234	0.026	28,615	0.017
Balance for Distribution to Producers	13,332,166	14.509	19,345,656	11.487

PAYMENTS RECEIVED BY PRODUCERS FOR PRINCIPAL GRADES OF DESIGNATED BARLEY
BASIS IN STORE THUNDER BAY OR VANCOUVER TABLE H

Grade	Initial Payment	Interim Payment	Final Payment	Total
		(dollars per tonne)		
Designated Barley Grades				
Special Select Canada Western Two-Row	140.00	7.00	13.799	160.799
Special Select Canada Western Six-Row	130.00	7.00	6.899	143.899
Select Canada Western Two-Row	135.00	7.00	16.299	158.299
Select Canada Western Six-Row	125.00	7.00	9.399	141.399

NOTES TO FINANCIAL STATEMENTS

The following are an integral part of the financial statements.

1. ACCOUNTING POLICIES

(a) *Operating Results and Valuation of Stocks of Grain*

The annual accounts at July 31 include the final operating results of all pool accounts for the crop year ended July 31, where marketing operations have been completed before the issuance of the annual report for that year. In determining the financial results for such pools, the accounts of the Board at July 31 include:

(i) the stocks of such grains on hand at that date at the values which were ultimately received from the sale thereof basis in store Thunder Bay, Vancouver or Churchill; and

(ii) provision for all expenses incurred or to be incurred before the sales proceeds are realized in cash or in bills of exchange, including a charge for the portion of administrative and general expenses to be incurred subsequent to July 31 but relating to the marketing and accounting for the grains in the various pools before they are closed.

(b) *Foreign Currency Translations*

Amounts due in United States funds which are covered by forward exchange contracts are translated at the contract rates. In all other cases, amounts due from foreign customers and short term borrowings payable in United States funds are translated at the rate of exchange in effect as at the balance sheet date.

Foreign exchange adjustments arising from conversion of amounts due from foreign customers and short term borrowings are included in operating results.

(c) *Depreciation*

The rates of depreciation being applied are intended to fully depreciate assets over their expected lives and are as follows:

Hopper cars	30 years
Office building	40 years
Office furniture and equipment	10 years
Automotive equipment	2 years
	(to 1/3 residual value)

(d) *Administration and General Expenses*

Administration and general expenses, except for that portion of such expenses attributable to distributing final payments to producers, are allocated to the various pool account operations to which the services relate on the basis of the relative tonnage. Expenses attributable to final payments are allocated on the basis of the number of producers receiving payments from the various pool accounts.

2. ACCOUNTS RECEIVABLE—
DUE FROM FOREIGN CUSTOMERS

Of the $6,801,406,657 principal and accrued interest due from foreign customers, $4,436,853,603 (1992—$3,863,761,814) represents the Canadian equivalent of $3,451,461,379 (1992—$3,263,312,343) repayable in United States funds.

The balances receivable arise from sales of grain to Algeria, Brazil, Egypt, Ethiopia, Haiti, Iraq, Jamaica, Mexico,Pakistan, Peru, Poland, Russia, Yemen and Zambia. The terms call for payment in full within 36 months or less from time of shipment, except for Brazil, Egypt, Haiti, Jamaica, Mexico, Peru, Poland and Zambia where the Board, together with the Canadian government, have agreed to reschedule certain receivables beyond their original maturity dates. Terms of such reschedulings call for payment of interest and the rescheduled debt within a maximum of 25 years. As at July 31, 1993, total reschedulings amounted to $3,846,672,491 including $1,510,199,573 which is the Canadian equivalent of $1,174,795,467 receivable in United States funds.

Subsequent to the crop year, the Board together with the Government of Canada signed a bilateral agreement with Brazil, to reschedule over a 15-year period principal and interest, excluding late interest, due and not paid as at December 31, 1991 and due and not paid from January 1, 1992 to August 31, 1993, under the 1987 Rescheduling Agreement. As at July 31, 1993 the accounts of the Board included $191,749,951 which was subject to this 15-year rescheduling. The bilateral agreement also included a provision to defer over a 5-year period principal and interest, excluding late interest, due and not paid as at December 31, 1991, under the 1984 Rescheduling Agreement. As at July 31, 1993 the accounts of the Board included $174,238,464 which was subject to this 5-year deferral.

Subsequent to the crop year, the Board together with the Government of Canada signed a bilateral agreement with Jamaica, to reschedule over a 16-year period principal and interest, excluding late interest, due from October 1, 1992 to September 30, 1995 inclusive and not paid under the 1984 and 1985 Rescheduling Agreements. Principal due and not paid during this period, under the 1989 Rescheduling Agreement is to be rescheduled as well. As at July 31, 1993, the accounts of the Board include $2,849,986 which may be rescheduled under this Agreement.

Subsequent to the crop year, the Government of Canada and other creditor nations agreed to a deferral of certain Peruvian obligations that had been previously rescheduled under the bilateral agreement signed in 1992. As at July 31, 1993, the accounts of the Board included $638,389 which is the Canadian equivalent of $496,608 in United States funds which may be rescheduled under this Agreement.

During the crop year, the Government of Canada and other creditor nations agreed to a deferral of certain Russian obligations. Subsequent to the crop year, the Board together with the Government of Canada signed a bilateral agreement with Russia, to reschedule specific principal and interest amounts, including late interest, due and not paid as at December 31, 1992, and specific principal and interest amounts, including 60% of the late interest, due and not paid in the calendar year 1993. Payment of these rescheduled amounts is being deferred for periods of seven to ten years. As at July 31, 1993, the accounts of the Board include $1,037,297,420 which is the Canadian equivalent of $806,921,369 in United States funds which was subject to this rescheduling.

Subsequent to the crop year, the Government of Canada and other creditors agreed to extend the consolidation period of the Russian rescheduling for a further four months to April 30, 1994. During this period specific principal and interest amounts, excluding late interest, due and not paid, may be rescheduled under terms of the rescheduling discussed earlier. As at July 31, 1993, the accounts of the Board include $272,732,336 which is the Canadian equivalent of $212,160,510 in United States funds which may be added to this rescheduling.

THE CANADIAN WHEAT BOARD—*Continued*

FINANCIAL RESULTS AND NOTES TO FINANCIAL STATEMENTS—*Continued*

NOTES TO FINANCIAL STATEMENTS—*Continued*

In July 1992, the Government of Canada and other creditor nations agreed to a deferral of certain Zambian obligations that had earlier been rescheduled under bilateral agreements signed in 1985, 1990, and 1991. Principal and interest, excluding late interest, due and not paid as at June 30, 1992, and due and not paid from July 1, 1992, to March 31, 1995 are to be rescheduled under this Agreement. Under the terms of this rescheduling the Government of Canada has agreed to provide debt forgiveness of 50% of the amounts arising from the bilateral agreements signed in 1985 and 1990. As at July 31, 1993, the accounts of the Board include $22,693,619 which will be included in this rescheduling. Of this amount, $14,020,153 is subject to the 50 % debt forgiveness provision.

Credit sales are made within limits established by the Government of Canada which guarantees the resulting receivables both as to principal and interest. Because of this guarantee, the Board is not at risk should any of the unpaid amounts prove to be uncollectible; therefore, no provision is made in its accounts with respect to the possibility of debtors defaulting on their obligations.

3. ACCOUNTS RECEIVABLE

Accounts receivable include amounts due on completed sales as at July 31 where settlement was received shortly after that date. Sundry accounts receivable consists mainly of freight costs which are recovered on completed sales.

4. COVERED HOPPER CARS

The Board purchased 2,000 covered hopper cars in 1979-80 having an original cost of $90,555,623. Of these 2,000 cars, 59 cars have been wrecked and dismantled leaving 1,941 still in the fleet having an original cost of $87,884,232 with accumulated depreciation of $39,549,744 to July 31, 1993. The Board is reimbursed for destroyed cars under an operating agreement with the Canadian National Railway.

5. DEFERRED CHARGES—TRADE

The Board in order to meet its sales commitments in the 1991-92 crop year, purchased amber durum wheat which had been placed on storage by producers, from some of its agents. In those instances, where some of the agents had delivered grain to the Board in excess of their purchases from producers during the 1991-92 crop year, the agents had over delivered their country liability to the Board.

The value of these over deliveries totaled $13,804,118 and were recorded as an advanced purchase of the 1992-93 crop.

This situation did not recur in the 1992-93 crop year.

6. SHORT TERM BORROWINGS

Details of these borrowings are as follows:

	July 31, 1993	July 31, 1992
	$	$
Ordinary Operations		
Borrowings	77,298,472	135,258,369
Borrowings to Finance Credit Sales	6,772,098,971	6,213,624,154
	6,849,397,443	6,348,882,523

Of the total borrowings, $4,388,576,323 (1992—$3,819,880,047) represents the Canadian equivalent of $3,413,886,207 (1992—$3,226,250,039) repayable in United States funds.

The Board's borrowings are undertaken with the approval of the Minister of Finance. Such borrowings constitute direct obligations of the Board and as such will constitute borrowings undertaken on behalf of Her Majesty in Right of Canada.

7. LIABILITY TO AGENTS FOR GRAIN PURCHASED FROM PRODUCERS

Grain companies, acting in the capacity of agents of the Board, accept deliveries from producers at country elevators and pay the producers on behalf of the Board based on the Board's initial price in effect. Settlement is not made by the Board for these purchases until delivery to the Board is completed by its agents at terminal or mill position. Liability to agents amounting to $737,479,954 (1992—$179,726,020) represents the amount payable by the Board to its agents for 6 729 871 (1992—1 688 491) tonnes of grain on hand at country elevator points and in transit at July 31 for which delivery to and settlement by the Board is to be completed subsequent to year end date.

8. LIABILITY TO AGENTS FOR DEFERRED CASH TICKETS

Grain companies, as agents of the Board, deposit with the Board in trust an amount equal to the deferred cash tickets issued for Board grain. These monies are returned to the grain companies to cover producer-deferred cash tickets maturing predominantly during the first days of the following calendar year.

THE CANADIAN WHEAT BOARD—*Concluded*

FINANCIAL RESULTS AND NOTES TO FINANCIAL STATEMENTS—*Concluded*

NOTES TO FINANCIAL STATEMENTS—*Concluded*

9. ACCRUED EXPENSE AND ACCOUNTS PAYABLE

This item principally comprises accrued carrying charges, storage, interest and transportation charges to July 31, 1993, together with all other unpaid sundry accounts as at the foregoing date. It also includes provisions for all charges relating to the marketing of pool accounts for the period from August 1, 1993, to completion of operations on September 30, 1993, for wheat, amber durum wheat and barley, and to October 31, 1993 for designated barley.

10. SPECIAL ACCOUNT—NET BALANCE OF UNDISTRIBUTED PAYMENT ACCOUNTS

In accordance with the provision of Section 39 of the *Canadian Wheat Board Act*, the Governor in Council may authorize the Board to transfer to a Special Account the unclaimed balances remaining in payment accounts which have been payable to producers for a period of six years or more. In addition to providing for payment of proper claims from producers against these old payment accounts, the Section further provides that these funds shall be used for purposes as the Governor in Council, upon the recommendations of the Board, may deem to be for the benefit of producers.

11. PROVISION FOR FINAL PAYMENT EXPENSES

This item represents the balance of the Board's reserve for final payment expenses of pool accounts that have been closed. Six years after particular accounts have been closed, the remaining reserves for these pools are transferred to the special account by Order-in-Council.

12. LEASE COMMITMENTS

The Board, as an agent of Her Majesty in Right of Canada, is the lessor of 2,000 covered hopper cars for the Government of Canada. All lease costs are recoverable from the Government and are not a charge to the operations of the Board. Total payments associated with leases in the year ended July 31, 1993, amounting to $16,412,642 (1992—$15,382,642) have been recovered by the Board. Lease terms are for 20 and 25 years.

13. STATEMENT OF CHANGES IN FINANCIAL POSITION

A statement of changes in financial position has not been included as the changes in financial position are evident from the balance sheet and the statements of operations for the pool accounts.

CAPE BRETON DEVELOPMENT CORPORATION

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements of the Cape Breton Development Corporation and all information in this report are the responsibility of management and have been approved by the Board of Directors. The financial statements include some amounts that are necessarily based on management's best estimates and judgement.

The financial statements have been prepared by management in accordance with generally accepted accounting principles. Financial information presented elsewhere in the annual report is consistent with that contained in the financial statements.

In discharging its responsibility for the integrity and fairness of the financial statements, management maintains financial and management control systems and practices designed to provide reasonable assurance that transactions are authorized, assets are safeguarded and proper records are maintained in accordance with the *Financial Administration Act* and regulations as well as the *Cape Breton Development Corporation Act* and by-laws of the Corporation. The system of internal controls is augmented by Internal Audit which conducts periodic reviews of different aspects of the Corporation's operations. In addition, the internal and external auditors have free access to the Audit Committee of the Board, which oversees management's responsibilities for maintaining adequate control system and the quality of financial reporting.

These financial statements have been independently examined by the Corporation's auditor, the Auditor General of Canada, and his report is included herein.

E.A. Boutilier, FCA
President & CEO

M.D. Buchanan, CA
Vice-President, Finance

AUDITOR'S REPORT

TO THE MINISTER DESIGNATE OF INDUSTRY

I have audited the balance sheet of Cape Breton Development Corporation as at March 31, 1994 and the statements of operations, equity and changes in financial position for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 1994 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles. As required by the *Financial Administration Act*, I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Corporation that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Cape Breton Development Corporation Act* and the by-laws of the Corporation.

L. Denis Desautels, FCA
Auditor General of Canada

Ottawa, Canada
May 12, 1994

CAPE BRETON DEVELOPMENT CORPORATION—*Continued*

BALANCE SHEET AS AT MARCH 31, 1994
(in thousands of dollars)

ASSETS	1994	1993
Current		
Cash	9,045	1,910
Accounts receivable (Note 3)	35,870	39,051
Inventories		
Coal	15,896	11,337
Operating materials and supplies	10,706	10,528
Prepaid expenses	697	305
	72,214	63,131
Capital assets (Note 4)	283,163	279,591
Other asset		
Deferred pension costs (Note 5)	24,549	14,101
	379,926	356,823

LIABILITIES	1994	1993
Current		
Accounts payable	21,724	21,818
Accrued wages and vacation pay	11,327	10,699
Accrued charges	12,616	10,466
Employees' deductions	3,051	1,923
Due to Government of Canada		
Working capital advances	5,000	
Current portion of long term provisions (Note 6)	8,756	10,267
	62,474	55,173
Provision for Lingan Colliery closure (Note 7)	42,834	45,615
Provision for environmental projects (Note 9)	4,240	5,440
	109,548	106,228
EQUITY		
Equity of Canada	270,378	250,595
	379,926	356,823

Commitments (Note 8)
Contingent liabilities and claims (Notes 9 and 10)

Approved by the Board

GEORGE KHATTAR
Director

JOSEPH MACMULLEN
Director

CAPE BRETON DEVELOPMENT CORPORATION—*Continued*

STATEMENT OF OPERATIONS
YEAR ENDED MARCH 31, 1994
(in thousands of dollars)

	1994	1993
Revenue	231,800	265,995
Expenses		
Cost of product sold	158,505	184,533
External freight	10,084	11,601
General and administrative	14,343	14,742
Amortization	34,928	46,400
	217,860	257,276
Profit from current operations	13,940	8,719
Deduct:		
Pensions, early retirement and other costs	31,766	33,671
Provision for Lingan Colliery closure (Note 7)		8,995
Provision for environmental projects	940	5,640
Write-down of capital assets		3,460
Loss for the year	(18,766)	(43,047)
Reconciliation to Government funding basis:		
Amortization and write-down of capital assets not deductible in determining mining income for Parliamentary appropriation	34,928	49,860
Lingan Colliery closure	(4,291)	(2,915)
Environmental projects	(1,200)	2,000
Mining income for Parliamentary appropriation	10,671	5,898

STATEMENT OF EQUITY
YEAR ENDED MARCH 31, 1994
(in thousands of dollars)

	1994	1993
Balance, beginning of year	250,595	262,642
Add (deduct)		
Loss for the year	(18,766)	(43,047)
Parliamentary appropriations in respect of capital and operating expenditures	38,549	31,000
Balance, end of year	270,378	250,595

STATEMENT OF CHANGES IN FINANCIAL POSITION
YEAR ENDED MARCH 31, 1994
(in thousands of dollars)

	1994	1993
Net inflow (outflow) of cash related to the following activities:		
Operating		
Loss for the year	(18,766)	(43,047)
Amortization and write-down of capital assets	34,928	49,860
Provision for Lingan Colliery closure net of current portion	(2,781)	(6,200)
Provision for environmental projects net of current portion	(1,200)	2,000
Changes in non-cash operating working capital items (Note 11)	353	29,602
	12,534	32,215
Financing		
Payments by Canada		
In respect of capital and operating expenditures	38,549	31,000
Increase (decrease) in repayable working capital advances	5,000	(30,000)
	43,549	1,000
Investing		
Purchase of capital assets	(38,704)	(32,493)
Proceeds from sale of capital assets	204	95
Deferred pension costs	(10,448)	(4,589)
	(48,948)	(36,987)
Net inflow (outflow) of cash	7,135	(3,772)
Cash, beginning of year	1,910	5,682
Cash, end of year	9,045	1,910

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 1994

1. AUTHORITY AND OBJECTIVES

The Corporation was established in 1967 for the purpose of reorganizing and rehabilitating the coal industry on Cape Breton Island, pursuant to the *Cape Breton Development Corporation Act*. Its current corporate goal is to be a dependable supplier of quality coal and related energy products by operating a safe, commercially viable corporation which will provide a positive working environment through efficient and effective utilization of human, physical and technical resources.

2. ACCOUNTING POLICIES

(a) Financing

The Corporation, an agent of Her Majesty, is listed as a Schedule III, Part I, corporation for purposes of the *Financial Administration Act*. The Corporation receives Parliamentary appropriations for capital and operating expenditures. Parliamentary appropriations are reflected in the Statement of Equity. In addition, advances from the Government of Canada are provided for working capital purposes to a limit of $50 million on such terms as may be agreed upon, as provided for in the *Cape Breton Development Corporation Act*.

CAPE BRETON DEVELOPMENT CORPORATION—*Continued*

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 1994—*Continued*

(b) Inventories

Inventories are valued at the lower of cost and net realizable value.

(c) Capital Assets

Capital assets are stated at cost. The Corporation has provided amortization on its capital assets based on their estimated useful lives, using the straight-line method of calculation, as follows:

Prince Colliery	2-30 years
Phalen Colliery	2-30 years
Devco Railway	5-30 years
Coal Preparation Plant	5-20 years
Other assets	5-20 years

(d) Foreign Currency Translation

Monetary assets and liabilities are translated at exchange rates in effect at the balance sheet date. Revenue and expenses are translated at the rate of exchange prevailing on the transaction date. The resulting foreign currency gains and losses are included in the results of operations.

(e) Deferred Pension Costs

Deferred pension costs will be amortized over the estimated average remaining service life of the employees.

(f) Workers' Compensation

Workers' compensation costs are recorded on a pay-as-you-go basis when claimants' eligibility for benefits is determined by the Nova Scotia Workers' Compensation Board.

3. ACCOUNTS RECEIVABLE

	1994	1993
	(in thousands of dollars)	
Trade	27,393	27,920
Employees	23	231
Government of Canada		
In respect of capital expenditures	8,550	11,000
	35,966	39,151
Less: allowance for doubtful accounts	96	100
	35,870	39,051

4. CAPITAL ASSETS

	1994			1993
	Acquisition cost	Accumulated amortization	Net book value	Net book value
	(in thousands of dollars)			
Prince Colliery	143,060	92,095	50,965	50,267
Phalen Colliery	261,914	127,905	134,009	136,253
Donkin-Morien Development Project	80,679	80,679		
Coal Preparation Plant	103,818	69,850	33,968	35,716
Devco Railway	97,151	46,444	50,707	43,710
Other assets	61,063	47,549	13,514	13,645
	747,685	464,522	283,163	279,591

5. PENSIONS

The Corporation contributes to defined benefit pension plans on behalf of employees of the Corporation. The current service cost of pensions is included in the cost of product sold. All other pension costs are included in pensions, early retirement and other costs.

An actuarial valuation of the Corporation's Non-Contributory Pension Plan as at March 31, 1994 indicated an unfunded liability of $65,713,000 (assets of $170,016,000 and liabilities of $235,729,000). The Corporation has made provision in its annual operating plan for past and current service contributions in amounts at least equal to the anticipated pension payments under this plan. On this basis, the unfunded liability will be funded over a period of not more than four years. The Corporation contributed $24,695,000 (1993—$22,798,000) and expensed $14,247,000 (1993—$18,209,000), relative to this plan for the year ended March 31, 1994 with the difference appearing on the balance sheet as an addition to deferred pension costs.

An actuarial valuation of the Corporation's Contributory Pension Plan as at March 31, 1994 indicated a surplus of $3,457,000 (assets of $39,166,000 and liabilities of $35,709,000). Required Corporation payments and expenses approximated current service costs of $806,440 (1993—$799,740) relative to this plan for the year ended March 31, 1994.

6. CURRENT PORTION OF LONG TERM PROVISIONS

	1994	1993
	(in thousands of dollars)	
Lingan Colliery closure	7,196	8,707
Environmental projects	1,560	1,560
	8,756	10,267

CAPE BRETON DEVELOPMENT CORPORATION—*Concluded*

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 1994—*Concluded*

7. PROVISION FOR LINGAN COLLIERY CLOSURE

During 1991, management approved a plan based on the intended discontinuance of Lingan Colliery production by March 31, 1993. The plan included a human resources strategy for employees affected by this closure.

Provision was made in 1992 and 1993 for the estimated future cost of this strategy which includes an early retirement incentive, supplementary unemployment benefits for laid-off workers and voluntary severance allowances.

Provisions have also been made for the cost of dismantling and removal of certain capital assets from the Lingan site, as well as certain operating obligations necessary to finalize its closure.

8. COMMITMENTS

(a) The Corporation has commitments on capital projects of approximately $5.2 million.

(b) The Corporation leases the General Mining Building which houses its administrative offices. The lease is for a 20 year period which commenced June, 1984. The annual lease payments fluctuate with changes in the lessor's mortgage interest rates. Current lease payments are $1,225,000 per annum at an interest rate of 8.5%.

9. CONTINGENT LIABILITIES AND CLAIMS

(a) Legal Matters

The Corporation is subject to a claim and several actions totalling approximately $1.5 million. The Corporation intends to oppose these matters in their entirety.

(b) Insurance

The Corporation self insures against the potential loss of underground assets and for a portion of its liability insurance.

(c) Environmental Considerations

The Corporation is subject to regulations that may require it to incur future costs related to environmental issues. In this respect, the Corporation is in the process of developing an environmental management plan.

Over the next five years, the Corporation plans to spend approximately $21 million on environmental activities including the cost of capital assets and project costs. Environmental project costs are charged to operations as incurred or when reasonable estimates can be made.

(d) Workers' Compensation

In accordance with the *Government Employees' Compensation Act*, the Corporation reimburses Human Resources Development Canada for current payments of workers' compensation claims and periodic disability payments billed by the Workers' Compensation Board of the Province of Nova Scotia.

A recent actuarial study of Workers' Compensation awarded as at December 31, 1992 by the Nova Scotia Workers' Compensation Board against the Government of Canada, on behalf of the employees and former employees of the Corporation, has estimated a present value of approximately $150 million compensation payable in future years of *Government Employees Compensation Act* authority.

10. INCOME TAXES

The Corporation is subject to the provision of Part I of the *Income Tax Act*. Based on legal advice from the Government of Canada, the Corporation has taken the position that it is not subject to Part I.3 of the *Income Tax Act*.

During 1990 the Corporation was reassessed by Revenue Canada Taxation for the years 1983- 89. The reassessment treats funding provided by the Government of Canada as government assistance for operating and capital purposes. The Corporation opposes Revenue Canada's position that appropriations to the Corporation are taxable as income from a business or property and that they otherwise reduce the capital cost of the Corporation's property.

The outcome of these and related matters is not determinable at this time and therefore no adjustments have been reflected in these financial statements.

11. CHANGES IN NON-CASH OPERATING WORKING CAPITAL ITEMS

	1994	1993
	(in thousands of dollars)	
Accounts receivable	3,181	(708)
Inventories		
Coal	(4,559)	19,928
Operating materials and supplies	(178)	1,404
Prepaid expenses	(392)	(143)
Accounts payable	(94)	7,745
Accrued wages and vacation pay	628	(1,810)
Accrued charges	2,150	2,469
Employees' deductions	1,128	(185)
Due to Government of Canada—Other		(2,383)
Current portion of provisions	(1,511)	3,285
	353	29,602

12. LONG TERM AGREEMENT

The Corporation has signed an agreement with Nova Scotia Power Inc. which calls for the delivery of a substantial portion of the Corporation's coal production to Nova Scotia Power Inc. The agreement expires in the year 2010 with a requirement to renegotiate prices every five years. The next such renegotiation will establish prices effective April 1, 1995.

13. RELATED PARTY TRANSACTIONS

In addition to those related party transactions disclosed elsewhere in these financial statements, the Corporation is related in terms of common ownership to all Government of Canada created departments, agencies and Crown Corporations. The Corporation enters into transactions with these entities in the normal course of business.

DEFENCE CONSTRUCTION (1951) LIMITED

MANAGEMENT REPORT

The management of the corporation is responsible for the performance of the duties delegated to it by the Board of Directors. These include the preparation of an Annual Report and the production of its contents, together with the financial statements. These statements, approved by the Board of Directors, were prepared in accordance with generally accepted accounting principles appropriate in the circumstances and consistently applied. Other financial and operating information appearing in the Annual Report is consistent with that contained in the financial statements.

Management relies on internal accounting control systems designed to provide reasonable assurance that relevant and reliable financial information is produced and that transactions comply with the relevant authorities.

Management also maintains financial and management control systems and practices designed to ensure the transactions are in accordance with Part X of the *Financial Administration Act* and regulations, the *Defence Production Act*, the *Canada Business Corporations Act* and the articles and by-laws of the corporation. Management also ensures that assets are safeguarded and controlled and that the operations of the corporation are carried out effectively. In addition, the Audit Committee, appointed by the Board of Directors, oversees the internal audit activities of the corporation and performs other such functions as are assigned to it.

The corporation's external auditor, the Auditor General of Canada, is responsible for auditing the financial statements and for issuing the report thereon.

Lorne Atchison
Chairman of the Board
and President

Trevor Heavens
Vice-President
Finance and Administration

AUDITOR'S REPORT

TO THE MINISTER DESIGNATE OF PUBLIC WORKS
AND GOVERNMENT SERVICES

I have audited the balance sheet of Defence Construction (1951) Limited as at March 31, 1994 and the statements of operations and deficit and changes in financial position for the year then ended. These financial statements are the responsibility of the corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the corporation as at March 31, 1994 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles. As required by the *Financial Administration Act*, I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the corporation that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Defence Production Act*, the *Canada Business Corporations Act* and the articles and by-laws of the corporation.

D. Larry Meyers, FCA
Deputy Auditor General
for the Auditor General of Canada

Ottawa, Canada
May 12, 1994

DEFENCE CONSTRUCTION (1951) LIMITED—*Continued*

BALANCE SHEET AS AT MARCH 31, 1994

ASSETS	1994	1993
	$	$
Current		
Cash	30,655	1,839,517
Accounts receivable	244,420	171,548
Due from Department of National Defence (Note 4)	507,609	
Other	85,231	63,659
	867,915	2,074,724
Capital assets (Note 3)	1,572,386	502,949
	2,440,301	2,577,673

LIABILITIES	1994	1993
	$	$
Current		
Accounts payable and accrued liabilities	1,378,176	2,129,444
Due to Department of National Defence		345,961
	1,378,176	2,475,405
Provision for employee benefits (Note 5)	1,813,204	1,873,499
	3,191,380	4,348,904
CAPITAL STOCK AND DEFICIT		
Capital stock		
Authorized—1,000 common shares of no par value		
Issued—32 common shares	32	32
Deficit (Note 7)	(751,111)	(1,771,263)
	(751,079)	(1,771,231)
	2,440,301	2,577,673

Contingencies (Note 10).

Approved by the Board:

J. ADAMS
Director

J.D. McCLURE
Director

DEFENCE CONSTRUCTION (1951) LIMITED—*Continued*

STATEMENT OF OPERATIONS AND DEFICIT
FOR THE YEAR ENDED MARCH 31, 1994

	1994	1993
	$	$
Expenses		
Salaries	10,956,230	10,378,274
Employee benefits	1,957,061	1,886,089
Travel and removal	940,249	774,550
Office accommodation	505,588	484,122
Telephone	448,495	369,001
Office supplies and maintenance	440,609	344,972
Training and professional development	396,037	213,690
Amortization	296,359	249,967
Computer software and supplies	291,516	95,293
Rental of machinery	281,079	107,570
Professional services	236,845	416,572
Advertising	170,849	190,886
Postage, express and freight	162,041	185,010
Other	74,069	102,923
	17,157,027	15,798,919
Cost recoveries		
Department of National Defence	17,230,094	14,789,466
Others	947,085	1,239,862
	18,177,179	16,029,328
Excess of cost recoveries over expenses (Note 6)	1,020,152	230,409
Deficit at beginning of the year	(1,771,263)	(2,001,672)
Deficit at end of the year	(751,111)	(1,771,263)

STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED MARCH 31, 1994

	1994	1993
	$	$
Operating activities		
Excess of cost recoveries over expenses	1,020,152	230,409
Items not requiring cash		
Provision for employee benefits	84,600	315,351
Amortization	296,359	249,967
Net decrease in non-cash working capital balances related to operations*	(1,699,281)	25,178
Cash provided by (used in) operations	(298,170)	820,905
Employee benefits paid	(144,895)	(376,463)
Cash provided by (used in) operating activities	(443,065)	444,442
Investing activities		
Acquisition of capital assets	(1,365,796)	(320,877)
Increase (decrease) in cash during the year	(1,808,861)	123,565
Cash at beginning of the year	1,839,516	1,715,952
Cash at end of the year	30,655	1,839,517

* Consisting of changes in accounts receivable, other assets, accounts payable and accrued liabilities and, due from/to Department of National Defence.

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1994

1. Authority and objective

Defence Construction (1951) Limited was incorporated under the *Canada Corporations Act* in 1951 and was continued under the *Canada Business Corporations Act*, pursuant to the authority of the *Defence Production Act*. The corporation is an agent Crown corporation named in Part I of Schedule III to the *Financial Administration Act*. The corporation is not subject to income taxes.

The objective of the corporation is principally to contract for and manage the construction, maintenance and repairs services, architectural and engineering services as required for the construction program of the Department of National Defence, pursuant to the Memorandum of Understanding with the latter. It also carries out other projects as approved by Treasury Board.

Pursuant to the Memorandum of Understanding, the Department of National Defence provides the corporation with funding for its net cost of operations and also funds the purchase of capital assets required for its day-to-day operations.

2. Significant accounting policies

Financial statement presentation

The financial statements reflect only the administrative expenses incurred in procuring the services to the Department of National Defence and others, as described above.

Capital assets

Capital assets, comprised of equipment and computers which include hardware, software and development costs, are capitalized at cost and are amortized on a straight-line basis over five years.

Employee termination benefits

Employees are entitled to specified termination benefits calculated at salary levels in effect at the time of separation as provided for by conditions of employment. The liability for these benefits is recorded as the benefits accrue to employees.

Pension plan

Employees are covered by the Public Service Superannuation Plan administered by the Government of Canada. The corporation's contributions to the plan are limited to an amount equal to the employees' contributions on account of current and certain past service. These contributions represent the total pension obligations of the corporation and are charged to income on a current basis. The corporation is not required under present legislation to make contributions with respect to actuarial deficiencies of the Public Service Superannuation Account.

Services provided without charge

The Department of National Defence provides office space free of charge for employees of the corporation.

DEFENCE CONSTRUCTION (1951) LIMITED—*Concluded*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1994—*Concluded*

3. Capital assets

	1994			1993
	Cost	Accumulated amortization	Net	Net
	$	$	$	$
Equipment	774,415	611,012	163,403	146,557
Computers	2,371,200	962,217	1,408,983	356,392
	3,145,615	1,573,229	1,572,386	502,949

4. Due from Department of National Defence

The net cost of operations is recovered through the Department of National Defence to the extent of net cash requirement, and any excess of cash advances is refunded after year end. As at March 31, 1994, the net balance due from Department of National Defence was $507,609 (1993—due to Department of National Defence was $348,961).

5. Provision for employee benefits

	1994	1993
	$	$
Termination benefits	1,834,606	1,835,235
Life insurance	34,962	38,264
Compensation benefits	453,929	400,713
	2,323,497	2,274,212
Less: current portion	510,293	400,713
	1,813,204	1,873,499

6. Excess of cost recoveries over expenses

The excess of cost recoveries over expenses is the net balance resulting from the change in provision for employee benefits and the change in the net book value of capital assets at year end.

	1994	1993
	$	$
Increase (decrease) in provision for employee benefits	(49,285)	159,499
Increase in net book value of capital assets	1,069,437	70,910
	1,020,152	230,409

7. Deficit

The deficit of the corporation is comprised of the difference between the provision for employee benefits, which will be funded in future years as they are paid, and the net book value of capital assets which have been funded by the Department of National Defence.

	1994	1993
	$	$
Provision for employee benefits (Note 5)	2,323,497	2,274,212
Net book value of capital assets (Note 3)	(1,572,386)	(502,949)
	751,111	1,771,263

8. Related party transactions

In addition to the related party transactions disclosed elsewhere in these financial statements, the corporation is related in terms of common ownership to all Government of Canada created departments, agencies and Crown corporations. The corporation enters into transactions with these entities in the normal course of business.

9. Lease commitments

In addition to the free office space provided by the Department of National Defence, the corporation leases extra accommodation in the performance of its operations. The future minimum annual lease payments are:

Year ending March 31	$
1995	329,807
1996	96,793
1997	27,170
1998	27,170
1999	27,170
	508,110

10. Contingencies

Claims aggregating approximately $3,771,000 in respect of contractual obligations have been received by the corporation, but are not reflected in the accounts. In the opinion of management and legal counsel, the position of the corporation is defensible. However, the final outcome of such claims is not determinable. Any settlements resulting from the resolution of these claims will be funded by the Department of National Defence, in the year of settlement.

11. Comparative figures

Certain 1993 comparative figures have been reclassified to conform with the current year's presentation.

ENTERPRISE CAPE BRETON CORPORATION

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of Enterprise Cape Breton Corporation and all information in this annual report have been prepared by the Corporation's management. The consolidated financial statements have been prepared in accordance with generally accepted accounting principles, using management's best estimates and judgements, where appropriate. Where there is more than one acceptable accounting alternative, management has chosen the one that is most appropriate to the circumstances of the Corporation.

Management is responsible for the integrity and objectivity of the information in the consolidated financial statements and annual report. Financial information presented elsewhere in the annual report is consistent with that contained in the consolidated financial statements.

In discharging its responsibility for the integrity and fairness of the consolidated financial statements, management maintains financial and management control systems and practices designed to provide reasonable assurance that transactions are authorized and comply with relevant authorities, assets are safeguarded, and proper records are maintained to produce timely, reliable financial statements. In addition, the Audit Committee of the Board of Directors oversees management's responsibilities for maintaining adequate control systems and the quality of financial reporting.

The Audit Committee of the Board of Directors has periodic meetings with management and the independent auditors to discuss the financial reporting process as well as accounting and reporting issues. The financial statements have been reviewed and approved by the Board of Directors of the Corporation upon the recommendation of the Audit Committee.

The Auditor General of Canada conducts an independent audit of the transactions and consolidated financial statements of the Corporation in order to express his opinion thereon.

Francis Mullins
Acting Vice-President
Comptroller and Treasurer

AUDITOR'S REPORT

TO THE MINISTER FOR THE PURPOSES OF THE
ATLANTIC CANADA OPPORTUNITIES AGENCY ACT

I have audited the consolidated balance sheet of Enterprise Cape Breton Corporation as at March 31, 1994 and the consolidated statements of equity, operations and changes in financial position for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 1994 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles. As required by the *Financial Administration Act*, I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Corporation and of its wholly-owned subsidiary that have come to my notice during my audit of the consolidated financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Enterprise Cape Breton Corporation Act* and the by-laws of the Corporation and its wholly-owned subsidiary.

Raymond Dubois, FCA
Deputy Auditor General
for the Auditor General of Canada

Ottawa, Canada
May 20, 1994

ENTERPRISE CAPE BRETON CORPORATION—*Continued*

CONSOLIDATED BALANCE SHEET
AS AT MARCH 31, 1994

ASSETS	1994	1993
	$	$
Cash and short-term investments	1,908,213	953,306
Parliamentary appropriation receivable		1,550,000
Accounts receivable (net of allowance of $71,350; 1993: $144,838)	255,556	269,497
Interest receivable (Note 5)	29,206	33,334
Inventories	25,385	32,038
Prepaid expenses	29,810	36,859
	2,248,170	2,875,034
Loans (Note 5)	1,714,600	2,009,008
Investments (net of allowance of $380,000; 1993: $380,000)	330,000	330,000
Capital assets (Note 6)	61,291	1
	4,354,061	5,214,043

LIABILITIES	1994	1993
	$	$
Accounts payable and accrued liabilities	1,311,901	1,583,457
Provision for environmental cleanup	173,985	520,000
Provision for employee termination benefits	129,301	492,334
Net liabilities of discontinued operations (Note 4)	87,457	66,054
Due to the Consolidated Revenue Fund		27,298
	1,702,644	2,689,143
Provision for employee termination benefits—Long-term	249,525	
	1,952,169	2,689,143
EQUITY		
Equity of Canada	2,401,892	2,524,900
	4,354,061	5,214,043

Guarantee (Note 8)

Commitments (Note 9)

Approved by the Board of Directors:

GAIL RUDDERHAM-CHERNIN
Director

CHARLES T. SMITH
Director

ENTERPRISE CAPE BRETON CORPORATION—*Continued*

CONSOLIDATED STATEMENT OF EQUITY FOR THE YEAR ENDED MARCH 31, 1994

	1994	1993
	$	$
Equity at beginning of the year	2,524,900	4,726,694
Parliamentary appropriation (Note 7)	9,825,000	10,050,000
	12,349,900	14,776,694
Less:		
Net expenses	9,948,008	12,365,344
Reduction in the amount due to the Consolidated Revenue Fund in respect of proceeds from disposition of assets (Note 4)		(113,550)
Equity at end of the year	2,401,892	2,524,900

CONSOLIDATED STATEMENT OF OPERATIONS FOR THE YEAR ENDED MARCH 31, 1994

	1994	1993
	$	$
Development activities		
Small Business	2,539,641	2,472,084
Tourism and Crafts	2,494,856	2,414,058
Primary industries	1,445,142	1,995,968
Strategic Initiatives	1,339,810	357,846
General development	770,446	775,464
Technology	679,568	751,965
Rental facilities	536,217	1,274,738
Provision for doubtful loans and interest	27,032	521,158
Recoveries of doubtful loans and interest	(288,576)	(280,735)
	9,544,136	10,282,546
Administrative expenses	1,280,696	1,246,439
Communications	195,730	173,574
Writedown of capital assets (Note 6)	131,755	1,211,299
Amortization	1,695	414,655
Merger expenses (reversal) (Note 3)	(102,480)	205,909
	1,507,396	3,251,876
Total operating expenses	11,051,532	13,534,422
Income		
Rental facilities	681,673	757,005
Loan and investment interest	226,301	375,805
Gain on disposal of capital assets	127,825	109,194
Other interest	67,725	99,339
Total operating income	1,103,524	1,341,343
Net operating expenses before discontinued operations	9,948,008	12,193,079
Net loss from discontinued operations (Note 4)		172,265
Net expenses	9,948,008	12,365,344

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION FOR THE YEAR ENDED MARCH 31, 1994

	1994	1993
	$	$
Financing activities		
Parliamentary appropriation	9,825,000	10,050,000
Decrease (increase) in parliamentary appropriation receivable	1,550,000	(350,000)
Proceeds remitted to the Consolidated Revenue Fund	(27,298)	
Cash provided by financing activities	11,347,702	9,700,000
Operating activities		
Net expenses	(9,948,008)	(12,365,344)
Charges (credits) not affecting cash		
Amortization	1,695	414,655
Writedown of capital assets	131,755	1,211,299
Gain on disposal of capital assets	(127,825)	(109,194)
Increase in provision for employee termination benefits	4,003	102,201
Loan forgiveness	16,060	7,393
Provision for doubtful loans	3,898	436,538
Net loss from discontinued operations		172,265
	(9,918,422)	(10,130,187)
Decrease (increase) in non-cash operating working capital	(564,397)	185,595
Employee termination benefit payments	(117,511)	
Cash used in operating activities	(10,600,330)	(9,944,592)
Investing activities		
Loan advances	(84,965)	(1,268,664)
Loan repayments	359,415	1,439,008
Purchase of capital assets	(194,740)	(211,849)
Proceeds from disposal of capital assets	127,825	127,767
Cash provided by investing activities	207,535	86,262
Increase (decrease) in cash and short-term investments	954,907	(158,330)
Cash and short-term investments at beginning of the year	953,306	1,111,636
Cash and short-term investments at end of the year	1,908,213	953,306

ENTERPRISE CAPE BRETON CORPORATION—*Continued*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 1994

1. The Corporation

Authority and objectives

Enterprise Cape Breton Corporation (ECBC or the Corporation) was established pursuant to the *Enterprise Cape Breton Corporation Act* (Part II of the *Government Organization Act, Atlantic Canada, 1987*) which was proclaimed on December 1, 1988. The Corporation is an agent Crown corporation listed in Schedule III, Part I of the *Financial Administration Act* and is not subject to the provisions of the *Income Tax Act*. Its objects, as stated in its enabling legislation, are:

> to promote and assist either alone or in conjunction with any person or the Government of Canada or of Nova Scotia or any agency of either of those governments, the financing and development of industry on the Island of Cape Breton to provide employment outside the coal producing industry and to broaden the base of the economy of the Island.

2. Significant accounting policies

(a) Parliamentary appropriation

Parliamentary appropriation is recorded on the accrual basis with drawdowns based on cash requirements.

(b) Basis of consolidation

The financial statements of Enterprise Cape Breton Corporation include the results of the Corporation and its discontinued operations as outlined below:

	Corporation interest	Period ended
Whale Cove Summer Village Limited	62.5%	September 20, 1993
DARR (Cape Breton) Limited	100%	March 31, 1994

The subsidiaries are accounted for using the equity method, because the Corporation has discontinued the operations of DARR (Cape Breton) Limited and Whale Cove Summer Village Limited (see also Note 4).

(c) Loans

Loans are recorded at the lower of cost and estimated net realizable value. Certain loans may include interest which has been capitalized as principal due to the restructuring of the terms of the loan contract.

(d) Allowances for doubtful and forgivable loans

The allowance for doubtful loans represents management's estimate of probable losses on specific loans outstanding at the end of the year. The allowance is based on a periodic evaluation of the loan portfolio in which numerous factors are considered, including the period of delinquency, market conditions, financial viability of the business and managerial capabilities. A general allowance is included to account for any unexpected delinquencies that may occur throughout the year based on past experience. Management has estimated the effect of these risks and uncertainties when determining the allowance for doubtful loans. Doubtful loans may be reinstated to an accrual status when, in management's opinion, the ultimate collectability of principal and interest is reasonably assured.

Certain loans are subject to terms of forgiveness as stipulated in the loan contract. The amount eligible for forgiveness is charged to operations when the loan is issued.

Actual loan losses are charged to operations while recoveries are credited to operations. Adjustments of the allowances for doubtful and forgivable loans to the level regarded by management as being appropriate are charged to operations.

(e) Investments

The Corporation has preferred equity holdings as well as partnership interests. These investments are subject to restrictive terms of agreement and are shown at cost net of allowance for doubtful investments.

(f) Interest income

Interest income is recorded on the accrual basis until such time as management determines that a loan should be classified as doubtful. When a loan is classified as doubtful, uncollected interest for the current year and previous years is charged to the provision for doubtful loans and interest. Interest payments subsequently received on doubtful loans are recorded as interest income on a cash basis.

(g) Capital assets

Capital assets are recorded at lower of cost less accumulated amortization and net realizable value. Amortization is provided over the estimated useful lives of the capital assets using the straight-line method at the rates indicated below:

Buildings	up to 25 years
Equipment and furniture	4 to 10 years
Computer equipment and software	5 years
Leasehold improvements	up to 20 years
Vehicles	3 or 4 years

(h) Pension plan

All eligible employees participate in the Public Service Superannuation Plan administered by the Government of Canada. Contributions to the Plan are required equally from the employees and the Corporation. These contributions are expensed during the period in which the services are rendered and represent the total pension obligations of the Corporation.

(i) Termination benefits

Upon termination of employment, employees are entitled to certain benefits provided for under their conditions of employment. The cost of these benefits is expensed in the year in which they are earned.

(j) Provision for environmental cleanup

The provision for environmental cleanup represents management's best estimate of the cost to cleanup properties that contain environmental contaminants. Management monitors the progress of its cleanup activities and any changes in the estimated cost are recognized when they can be reasonably determined.

ENTERPRISE CAPE BRETON CORPORATION—*Continued*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 1994—*Continued*

3. Defeat of Bill C-93

On June 10, 1993, legislation to merge the Corporation with the Atlantic Canada Opportunities Agency was defeated in the Senate. In anticipation of the merger, the Corporation estimated merger costs and wrote down capital assets to the anticipated net realizable value. Merger activities were suspended after the defeat of the legislation and the actual costs incurred were less than anticipated. The difference between the actual costs incurred and those expensed in 1993 is treated as a reduction of the 1994 operating expenses.

4. Discontinued operations

(a) DARR (Cape Breton) Limited

In 1992, the Corporation sold substantially all of the assets of its wholly-owned subsidiary, DARR (Cape Breton) Ltd.

The results of the discontinued operations are:

	1994	1993
	$	$
Operating expenses which represent net loss from discontinued operations		113,550

The assets and liabilities of the discontinued operations have been included in the financial statements on a net basis.

	1994	1993
	$	$
Current assets	30,913	23,864
Less:		
Current liabilities	118,370	139,918
Net liabilities of discontinued operations	87,457	116,054

(b) Whale Cove Summer Village Limited

The Corporation sold for $50,000 its interest in Whale Cove Summer Village Limited on September 20, 1993 to the non-controlling shareholders.

The results of the discontinued operations are:

	September 20 1993	March 31 1993
	$	$
Revenue	130,591	142,899
Operating expenses	108,170	141,357
Operating income	22,421	1,542
Writedown of investment	22,421	60,257
Net loss from discontinued operations		58,715

The assets and liabilities of the discontinued operations have been included in the financial statements on a net basis.

	September 20 1993	March 31 1993
	$	$
Current assets		33,231
Capital assets		122,144
Total assets		155,375
Liabilities and non-controlling interest		105,375
Net assets of discontinued operations		50,000

5. Loans

An analysis of the loan balance outstanding at March 31 is as follows:

Annual interest rate	1994	1993
	$	$
0%	1,275,336	1,570,333
Less than 8%	191,927	274,728
8 - 9.95%	208,910	291,043
10 - 11.88%	1,707,465	1,879,114
12% and over	270,842	278,868
	3,654,480	4,294,086
Less: Allowance for doubtful loans	1,862,948	2,065,455
Allowance for forgivable loans	76,932	219,623
	1,714,600	2,009,008

Amounts due by fiscal year based on loan terms are as follows:

	1994	1993
	$	$
Principal past due	274,321	328,060
1994		544,141
1995	381,970	416,627
1996	328,804	365,109
1997	328,102	365,949
1998	328,883	328,192
1999	1,313,163	1,236,732
2000 and beyond	699,237	709,276
	3,654,480	4,294,086
Interest receivable—		
Current	67,328	93,176
Arrears	31,002	69,899
	98,330	163,075
Less: Allowance for doubtful interest	58,043	63,746
Allowance for forgivable interest	11,081	65,995
	29,206	33,334

ENTERPRISE CAPE BRETON CORPORATION—*Concluded*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 1994—*Concluded*

6. Capital assets

	1994			1993
	Cost	Accumulated amortization and write downs	Net book value	Net book value
	$	$	$	$
Land for development	532,441	532,440	1	1
Equipment, furniture, leaseholds	942,037	889,541	52,496	
Rental facilities	14,165,962	14,165,962		
Agriculture and forestry facilities	1,168,449	1,159,655	8,794	
	16,808,889	16,747,598	61,291	1

The capital assets have been written down by $131,755 (1993—$1,211,299) to recognize their net realizable value to the Corporation.

7. Funding from Government of Canada

The Government of Canada approved a parliamentary appropriation in the amount of $9,825,000 (1993—$10,520,000) of which the Corporation utilized $9,825,000 (1993—$10,050,000).

8. Guarantee

During 1976, the Industrial Development Division of the Cape Breton Development Corporation guaranteed the repayment by Sydney Steel Corporation of that Corporation's $70,000,000 11 1/4% Series D Debentures and the repayment of interest thereon. These funds were borrowed by Sydney Steel Corporation for the purpose of financing its plant rehabilitation program. The balance of the outstanding debentures has since been reduced to $11,060,000 (1993—$14,910,000). The Corporation assumed this guarantee as the successor to the Industrial Development Division of the Cape Breton Development Corporation.

9. Commitments

As at March 31, 1994 the Corporation had outstanding commitments for development programs in the amount of $4,327,799 (1993—$4,035,261).

10. Related party transactions

The Corporation had transactions with the Atlantic Canada Opportunities Agency during the year in respect of salaries, professional and other services totalling $348,223 (1993—$387,169). The amount included in accounts receivable was $86,083 (1993—$93,807). Transactions with other government agencies totalled $137,593 (1993—$74,173).

11. Comparative figures

Certain of the comparative figures have been reclassified to conform to the presentation adopted for the current year.

EXPORT DEVELOPMENT CORPORATION

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Financial Statements contained in this Annual Report have been prepared by Management in accordance with accounting principles generally accepted in Canada and have been consistently applied. The integrity and objectivity of the data in these Financial Statements are Management's responsibility. The Financial Statements include some amounts, such as the allowances for losses on loans and claims, that are necessarily based on Management's best estimates and judgement. Management is also responsible for all other information in the Annual Report and for ensuring that this information is consistent, where appropriate, with the information and data contained in the Financial Statements. In support of its responsibility, Management maintains financial and management control systems and practices to provide reasonable assurance that the financial information is reliable, that the assets are safeguarded and the operations are carried out effectively. The Corporation has an internal audit department whose functions include reviewing internal controls and their application, on an on-going basis.

The Board of Directors is responsible for ensuring that Management fulfils its responsibilities for financial reporting and internal control and exercises this responsibility through the Audit Committee of the Board, which is composed of Directors who are not employees of the Corporation. The Audit Committee meets with management, the internal auditors and the Auditor General of Canada on a regular basis.

The Board of Directors of EDC is responsible for all business undertaken by the Corporation. Contracts which, in the opinion of the Board of Directors, involve risks for a term or an amount in excess of that which the Corporation would normally undertake, may be entered into under the authority of the Governor General in Council where the Minister considers them to be in the national interest. The Board of Directors has the predominant role in the management of this program and is solely responsible for its administration. Funds required for such contracts are paid to the Corporation by Canada, and funds recovered are remitted to Canada, net of amounts withheld to cover related administrative expenses. The administration of accounts on behalf of Canada is shown in Note 14 to the Corporation's Financial Statements.

The Auditor General of Canada conducts an independent audit, in accordance with generally accepted auditing standards, and expresses his opinion on the Financial Statements. His report is presented on the following page.

Paul Labbé
President and Chief Executive Officer

M.D.J. Bakker
Senior Vice-President and Chief Financial Officer

AUDITOR'S REPORT

TO THE MINISTER FOR INTERNATIONAL TRADE

I have audited the balance sheet of the Export Development Corporation as at December 31, 1993 and the statements of income and retained earnings and changes in financial position for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 1993 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles. As required by the *Financial Administration Act*, I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Corporation that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Export Development Act* and the by-laws of the Corporation.

L. Denis Desautels, FCA
Auditor General of Canada

Ottawa, Canada
January 26, 1994

EXPORT DEVELOPMENT CORPORATION—*Continued*

BALANCE SHEET AS AT DECEMBER 31, 1993
(in millions of dollars)

ASSETS	1993	1992
Investments (Note 3)	2,085	1,159
Accrued interest	29	11
	2,114	1,170
Loans receivable (Notes 4 and 5)	7,578	7,363
Accrued interest and fees	98	120
	7,676	7,483
Less: allowance for losses on loans (Note 6)	751	609
	6,925	6,874
Other		
Recoverable insurance claims (Note 9)	22	8
Unamortized discount, issue expenses and other assets	93	55
	115	63
	9,154	8,107

LIABILITIES	1993	1992
Loans payable (Note 10)		
Short term	1,248	1,799
Long term	6,376	4,947
	7,624	6,746
Accrued interest	174	164
	7,798	6,910
Other liabilities and deferred revenues		
Accounts payable	102	27
Deferred insurance premiums	16	13
Allowance for claims on insurance and guarantees	111	98
Deferred loan revenues and other credits	232	180
	461	318
SHAREHOLDER'S EQUITY		
Share capital (Note 11)	788	788
Retained earnings	107	91
	895	879
	9,154	8,107

Loan Commitments and Insurance and Guarantees (Notes 7 and 8).

Approved by the Board of Directors:

W.R.C. BLUNDELL
Director

M. D. J. BAKKER
Chief Financial Officer

PAUL LABBÉ
Director

EXPORT DEVELOPMENT CORPORATION—*Continued*

STATEMENT OF INCOME AND RETAINED EARNINGS
FOR THE YEAR ENDED DECEMBER 31, 1993
(in millions of dollars)

	1993	1992
Loans and guarantees		
Interest earned	473	486
Interest relief arrangements	25	31
Fees earned	58	42
	556	559
Less: provision for losses on loans	156	153
	400	406
Insurance and guarantees		
Premiums and fees earned	51	39
Less: provision for claims	25	19
	26	20
Investment interest earned	92	62
	518	488
Interest expense		
Long term	373	314
Short term	54	85
	427	399
Administrative expenses	50	45
	477	444
Net income	41	44
Retained earnings		
Beginning of year	91	47
Dividends paid	25	
End of year	107	91

STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED DECEMBER 31, 1993
(in millions of dollars)

	1993	1992
Operating activities		
Net income	41	44
Items not affecting cash		
Provision for losses on loans	156	153
Provision for claims	25	19
Accrued interest and fees	13	(18)
Other changes	15	(53)
Cash provided	250	145
Lending activities		
Loans receivable disbursed	(1,365)	(1,694)
Loans receivable repaid	1,395	1,360
Items not affecting cash		
Net increase in deferred revenue	52	51
Interest rescheduled	(1)	(12)
Loans interest and expenses reversed	(32)	(13)
Cash provided (used)	49	(308)
Financing activities		
Issue of long term loans payable	2,193	1,763
Repayment of long term loans payable	(955)	(869)
Decrease in short term loans payable	(617)	(609)
Dividends paid	(25)	
Cash provided	596	285
Increase in cash and marketable securities	699	122
Increase in long term investment	196	
Foreign exchange on opening balance of investments	31	75
Investments		
Beginning of year	1,159	962
End of year	2,085	1,159

EXPORT DEVELOPMENT CORPORATION—*Continued*

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1993

1. CORPORATE MANDATE AND ACTIVITIES

Export Development Corporation ("The Corporation") was established on October 1, 1969 by the *Export Development Act* ("The Act"), a statute of the Parliament of Canada which was amended on June 10, 1993. The Corporation was created as an agent of Her Majesty in right of Canada for the purposes of supporting and developing, directly or indirectly, Canada's export trade and Canadian capacity to engage in that trade and to respond to international business opportunities. This Act as amended gives EDC the flexibility to consider a wider range of options to meet the needs of Canadian exporters and those investing in foreign markets. The Corporation is accountable for its affairs to Parliament through the Minister for International Trade.

The earnings of the Corporation are not subject to the requirements of the *Income Tax Act*.

As an export credit agency and an agent of Her Majesty in right of Canada, the Corporation benefits from Canada's membership in the Paris Club, an international group, formed to deal on a multilateral basis with payment difficulties experienced by sovereign entities. Through the auspices of this Club and with subsequent negotiation, rescheduling agreements are arranged in conjunction with the implementation of International Monetary Fund disciplines to alleviate these payment problems.

The Government of Canada is of the view that the evolution of the international debt strategy could lead to multilateral agreements to provide debt and debt service reduction by creditor governments in order to facilitate approved economic adjustment programs by certain debtor countries. The Government of Canada has undertaken to compensate the Corporation fully for any financial consequences arising from the Government's participation in multilateral activities to provide debt and debt service reduction.

The Corporation may enter into any arrangement that has the effect of providing to any person any insurance, reinsurance, indemnity or guarantee. The Act specifies that the Corporation's contingent liabilities in respect of the principal amounts owing under all outstanding arrangements shall at no time exceed $15 billion, an amount equal to ten times the authorized capital of the Corporation. As at December 31, 1993, the position against this limit is $6.9 billion (1992—$5.7 billion).

As an agent of Her Majesty in right of Canada, all of the Corporation's borrowings carry the full faith and credit of Canada. The Act allows the Corporation to borrow up to a maximum of fifteen times the aggregate of its paid-in capital from time to time and the retained earnings determined in accordance with the most recent audited Financial Statements. This limit for borrowing is $13.2 billion (1992—$8.4 billion), against which borrowings amounted to $7.6 billion (1992—$6.7 billion).

The Corporation enters into transactions with other Government departments, agencies and Crown corporations in the normal course of business.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

INVESTMENTS

Investments are recorded at market value. Gains and losses are included with investment interest earned.

LOANS RECEIVABLE

Loans receivable are reported in the Canadian dollar equivalent of the original amounts disbursed and include where applicable interest capitalized as part of the rescheduling or restructuring process of loans with payment difficulties.

Loans are classified as accruing or non-performing. Non-performing loans are those where there is significant doubt as to collectibility in the short to medium term, or where significant payments have not been received for a period of one hundred and eighty days. The capitalization of interest in subsequent rescheduling agreements for non-performing loans is not recognized for accounting purposes.

LOAN INTEREST AND FEES

Loan interest is recorded on the accrual basis until such time as Management determines that a loan should be classified as non-performing. Subsequently, when a loan is classified as non-performing, the Corporation reverses previously accrued interest against the allowance for losses on loans.

Any interest payment on a non-performing loan is recorded as interest income when received.

A non-performing loan is restored to an accrual basis after a pattern of regular payments has been established, normally after three years. When the Corporation restores the loan to an accrual basis, previously non-accrued interest revenue is recognized over the remaining life of the loan.

Loan fees are normally taken into income over the disbursement and repayment periods of the related loan.

INTEREST RELIEF ARRANGEMENTS

In accordance with the terms of multilateral debt relief and debt service agreements between the Government of Canada and sovereign borrowers, the Corporation accrues as interest revenue amounts due from the Government.

ALLOWANCE FOR LOSSES ON LOANS

The allowance for losses on loans is based on a review of collectibility, at least annually, of all loans to commercial and sovereign borrowers.

As the result of the review of all loans to commercial borrowers, the Corporation charges to income an amount sufficient to specifically provide for potential losses on the commercial loans receivable portfolio to reflect the impairment of the related commercial loan assets.

In addition to specific allowances for losses on commercial loans, the Corporation prudently sets aside a general allowance based on Management's best estimates of potential losses on the commercial and sovereign loans receivable portfolio for which no specific provision has been made.

It is Management's opinion, based on the Corporation's experience, that except in the rare instances of outright repudiation or the write-off of asset value agreed to by creditors, the ultimate collectibility of a sovereign obligation is not subject to question although indefinite delays in repayment of principal and interest may have to be accepted.

EXPORT DEVELOPMENT CORPORATION—*Continued*

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1993—*Continued*

RECOVERABLE INSURANCE CLAIMS

Recoverable insurance claims payments are recorded at estimated recoverable values. Subsequent net gains or losses on recovery are credited or charged to the allowance for claims on insurance and guarantees.

ALLOWANCE FOR CLAIMS ON INSURANCE AND GUARANTEES

The allowance for claims on insurance and guarantees is based on a review of net loss experience and potential net losses and represents Management's best estimate of the liability for insured events that have occurred and can be reasonably estimated.

INSURANCE PREMIUMS

Insurance premiums and fees are earned in Canada. For short term insurance policies, premiums are taken into income at the commencement of coverage. Premiums on other export insurance policies are taken into income using methods which generally reflect the exposures over the terms of the policies.

INTEREST EXPENSE

Interest expense includes hedging expenses, derivative financial instruments costs, and the amortization of debt discount and issue expenses which are charged to income over the life of the related debt.

TRANSLATION OF FOREIGN CURRENCY

The Corporation hedges its U.S. dollar assets and liabilities on a total portfolio basis. Any net exposure to future changes in the U.S. dollar foreign exchange rate is due to short term timing differences in cash flows. It is the Corporation's policy to manage assets and liabilities denominated in U.S. dollars in such a way as to minimize this net exposure. All assets and liabilities in foreign currencies other than U.S. dollars are specifically hedged to minimize exposures. All assets and liabilities denominated in foreign currencies are translated into Canadian dollars at exchange rates prevailing at year end.

Income and expenses are translated at average monthly exchange rates in effect during the year.

Exchange gains and losses resulting from the translation of foreign currency balances and transactions are reported with investment interest earned.

OTHER FINANCIAL INSTRUMENTS

The Corporation uses a variety of off-balance sheet derivative financial instruments, such as forward exchange contracts and currency swaps, interest rate swaps, options, caps and floors, and futures, to reduce market risks and funding costs.

Gains or losses arising from transactions designated as hedges are deferred and recognized in income over the remaining life of the hedged item. The costs of issuing these instruments are included in interest expense.

3. INVESTMENTS

The Corporation maintains a liquidity in various instruments to meet its general operating requirements.

	1993	1992
	(in millions of dollars)	
Cash and short term deposits	792	755
Marketable securities	1,097	404
Long term investment[1]	196	
	2,085	1,159

[1] Related Party Transaction (Promissory Notes, Ridley Terminals Inc., maturing 1998)

4. LOANS RECEIVABLE

Loans receivable mature as follows:

	1993	1992
	(in millions of dollars)	
Non-performing	2,283	1,942
Within 12 months		
—Fixed	580	680
—Floating	422	463
Overdue	11	77
1994		811
1995	731	609
1996	613	558
1997	578	458
1998	504	377
1999 and thereafter	1,856	1,388
Total	7,578	7,363
Commercial loans included above	1,572	1,683
Floating rate loans, generally based on LIBOR rates, included in total loans	3,285	3,061
The geographic distribution of these loans is as follows:		
Pacific and Asia	1,857	1,643
Middle East and Africa	1,497	1,521
Europe	1,272	1,211
North America and Caribbean	1,440	1,545
South America	1,512	1,443
Total	7,578	7,363

EXPORT DEVELOPMENT CORPORATION—*Continued*

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1993—*Continued*

5. NON-PERFORMING LOANS RECEIVABLE

(in millions of dollars)

The geographic distribution of non-performing loans and off-balance sheet non-accrued interest is as follows:

	1993		1992	
	Principal	Interest	Principal	Interest
Pacific and Asia				
Middle East and Africa ...	852	317	739	249
Europe	496	292	411	260
North America and Caribbean	59	72	69	65
South America	876	453	723	399
Total	2,283	1,134	1,942	973
Commercial loans included above	88	24	99	14

The total off-balance sheet non-accrued interest which has accumulated during the year was $129 (1992—$63).

The Corporation received interest payments of $70 in 1993 (1992—$89) from loans designated as non-performing. This amount was taken into income when received and is included in interest earned.

6. ALLOWANCE FOR LOSSES ON LOANS

(in millions of dollars)

The Allowance for losses is as follows:

	1993	1992
General allowance	689	553
Specific allowance	62	56
Total balance sheet allowance	751	609

During the year, the amount charged to the allowance was $32 (1992—$14), comprised mainly of interest reversals on loans classified as non-performing.

7. LOAN COMMITMENTS

The Corporation had undisbursed commitments on signed loan agreements of $3,785 million (1992—$2,279 million).

The Corporation expects to fund these undisbursed commitments near the time of their disbursement, typically over a three year period, by issuing a combination of debt instruments in world capital markets at commercial rates of interest and capital stock. The Corporation generally attempts to match debt maturities and currencies with those of its loans on a portfolio basis.

8. INSURANCE AND GUARANTEES

The geographic distribution of insurance policies in force and guarantees of the Corporation is as follows:

	1993	1992
	(in millions of dollars)	
Pacific and Asia	1,323	1,123
Middle East and Africa	512	657
Europe	1,105	822
North America and Caribbean	2,472	1,723
South America	612	605
Total	6,024	4,930

9. RECOVERABLE INSURANCE CLAIMS

(in millions of dollars)

In 1993, the Corporation paid claims on insurance of $48 (1992—$18), and recovered claims of $22 (1992—$3). Claims of $14 (1992—$13) were charged to the Allowance for Claims in 1993.

10. LOANS PAYABLE

The Corporation issues debt instruments in world capital markets at commercial rates of interest. Long term instruments are issued by the Corporation in U.S. dollars, Japanese yen, British pounds, Australian dollars, European Currency Units (ECU), Swiss francs and Canadian dollars. Most non-U.S. dollar issues were swapped to U.S. dollars.

Currencies of repayment of these long term instruments are as follows:

	1993	1992
	(in millions of dollars)	
U.S. dollars	5,945	4,708
ECU	148	154
Canadian dollars	283	85
Total	6,376	4,947

EXPORT DEVELOPMENT CORPORATION—*Concluded*

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1993—*Concluded*

Total Loans payable mature as follows:

	1993	1992
	(in millions of dollars)	
Within 12 months		
—Fixed	617	490
—Floating	1,781	2,133
1994		1,013
1995	154	72
1996	721	350
1997	235	262
1998	1,521	135
1999 and thereafter	2,595	2,291
Total	7,624	6,746
Loans included above at fixed rates (effective interest rate 7.44%; 1992—8.0%)	4,295	3,103
Floating rate and short term fixed rate revolving loans (effective interest rate 3.08%; 1992—3.7%)	3,329	3,643

11. SHARE CAPITAL

The authorized share capital is $1.5 billion consisting of 15 million shares with a par value of $100 each. The number of shares issued and fully paid is 7.9 million (1992—7.9 million). During 1993, the Corporation issued no shares.

12. FOREIGN CURRENCY BALANCES

The Corporation has substantial assets and liabilities in U.S. dollars and in other currencies. The Canadian dollar equivalent after taking into consideration forward exchange contracts is as follows:

	1993	1992
	(in millions of dollars)	
U.S. dollars		
Assets	7,292	6,707
Liabilities	7,294	6,708
Net balance	(2)	(1)
Rate of exchange U.S. $1.00	1.3240	1.2709
Other currencies		
Assets	504	421
Liabilities	603	506
Net balance	(99)	(85)

13. FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK

In any transaction there is always an inherent risk of loss. These risks may be classified as credit risks, wherein the counter-party to a transaction does not perform as agreed, or market risks where an exposure exists as a result of changes in foreign exchange and interest rates.

The Corporation manages its exposure to credit risk by dealing only with financial institutions having very high credit ratings. Internal procedures establish proper credit approvals, controls and monitoring. The Corporation does not anticipate any significant nonperformance by the counterparties due to the control procedures in place. As at December 31, 1993, the largest singular exposure to any institution amounted to $134 million (1992—$55 million). To limit its exposure to market risk, and to reduce its funding costs, the Corporation, during the year, used hedges and derivative financial instruments with off-balance sheet risk. Financial instruments, mostly in U.S. dollars, with contractual or notional principal amounts outstanding as at December 31, 1993 were as follows:

	1993	1992
	(in millions of dollars)	
Foreign exchange contracts	1,415	2,198
Currency swaps	1,605	1,161
Interest rate swaps	2,589	2,188
Interest rate caps sold, exposure until 1998 (U.S.$)	350	350
Interest rate options written, expire April 1998 (U.S.$)	800	706

Credit risk inherent in the hedges, derivative financial instruments and investments have been estimated not to exceed $13 million. Accordingly, an allowance for credit risk of $13 million (1992—$6 million) has been established. This amount is included in the Accounts Payable.

14. ACCOUNTS ADMINISTERED FOR CANADA

(a) Pursuant to the Act, the Corporation administers for Canada certain loans and insurance programs entered into under the authority of the Governor in Council for which the Board of Directors has the predominant role in the management of the program and is solely responsible for its administration. These accounts are maintained separately from the Corporation's accounts, and are consolidated annually as at March 31 with the financial statements of the Government of Canada which are reported upon separately by the Auditor General of Canada. The assets administered for Canada, mainly loans receivable and accrued interest and fees recorded in accordance with accounting policies and practices approved by the Government of Canada, amounted to $2,333 million (1992—$1,906 million).

(b) Statutory limits, commitments and insurance in force

The Act allows the Accounts administered for Canada to have outstanding loans and commitments to foreign borrowers, and liabilities under contracts of insurance up to a maximum of $13 billion. The position against this limit, determined in accordance with the requirements of the Act, is $3,976 million (1992—$2,757 million).

(c) The Corporation received reimbursement of expenses and administration fees from Canada of $13 million (1992—$11 million).

FARM CREDIT CORPORATION

MANAGEMENT'S REPORT

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The accompanying financial statements of Farm Credit Corporation and all information in this annual report are the responsibility of the Corporation's management and have been reviewed and approved by the Board of Directors. The financial statements include some amounts, such as the allowance for loan losses and the valuation of real estate acquired in settlement of loans, that are necessarily based on management's estimates and judgment.

The financial statements have been prepared in accordance with accounting principles which are generally accepted in Canada. Financial information presented elsewhere in the annual report is consistent with that contained in the financial statements.

In discharging its responsibility for the integrity and fairness of the financial statements, management maintains financial and management control systems and practices designed to provide reasonable assurance that transactions are authorized, assets are safeguarded and proper records are maintained. The system of internal control is augmented by internal audit which conducts periodic reviews of different aspects of the Corporation's operations.

The Board of Directors is responsible for ensuring management fulfils its responsibilities for financial reporting and internal control and exercises this responsibility through the Audit Committee of the Board, which includes a majority of Directors who are not employees of the Corporation. The Audit Committee meets with management, the internal auditors and the Auditor General of Canada on a regular basis, and the auditors have full and free access to the Audit Committee.

The independent auditor, the Auditor General of Canada, is responsible for auditing the transactions and financial statements of the Corporation and for issuing his report thereon.

James J. Hewitt
Chairman and Chief Executive Officer

Max Pierce
Senior Vice-President, Finance and
Chief Financial Officer

Regina, Canada
May 20, 1994

AUDITOR'S REPORT

TO THE MINISTER OF AGRICULTURE

I have audited the balance sheet of Farm Credit Corporation as at March 31, 1994 and the statements of operations and deficit and changes in cash position for the year then ended. These financial statements are the responsibility of the Corporation's management.

My responsibility is to express an audit opinion on these financial statements based on my audit. I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects the financial position of the Corporation as at March 31, 1994 and the results of its operations and the changes in its cash position for the year then ended in accordance with generally accepted accounting principles. As required by the *Financial Administration Act*, I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Corporation that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Farm Credit Corporation Act* and the by-laws of the Corporation.

L. Denis Desautels, FCA
Auditor General of Canada

Ottawa, Canada
May 20, 1994

FARM CREDIT CORPORATION—*Continued*

BALANCE SHEET AS AT MARCH 31, 1994
(in thousands of dollars)

ASSETS	1994	1993
Cash and short-term investments	269,076	181,116
Accounts receivable	14,736	16,742
Investments	64,396	
Loans receivable, net of allowance for loan losses of $126,500 (1993—$124,000) (Notes 3 and 4)	3,196,129	3,184,733
Real estate acquired in settlement of loans (Note 5)	221,568	231,944
Office equipment and leasehold improvements	7,708	8,452
	3,773,613	3,622,987

LIABILITIES	1994	1993
Accounts payable and accrued liabilities	14,767	15,789
Short-term notes	514,930	144,571
Downpayments on real estate (Note 6)	14,906	11,472
Provision for employee termination benefits	3,949	3,936
Deferred loan fees	8,348	6,093
Loans payable (Note 7)	2,899,836	3,152,560
	3,456,736	3,334,421
EQUITY		
Contributed capital (Note 1)	1,118,333	1,118,333
Deficit	(801,456)	(829,767)
	316,877	288,566
	3,773,613	3,622,987

The accompanying notes are an integral part of the financial statements.

Approved:

JAMES J. HEWITT
Chairman and Chief Executive Officer

GEORGE KLOSLER
Director

FARM CREDIT CORPORATION—*Continued*

STATEMENT OF OPERATIONS AND DEFICIT FOR THE YEAR ENDED MARCH 31, 1994 (in thousands of dollars)

	1994	1993
Loan and investment income		
Interest income		
Loans receivable	326,751	336,183
Investment income	12,043	16,876
	338,794	353,059
Interest expense	250,878	284,436
Net loan and investment income	87,916	68,623
Provision for loan losses (Note 4)	9,608	
Net loan and investment income after provision for loan losses	78,308	68,623
Lease and real estate income		
Lease and other revenue	31,469	37,081
Operating expenses	4,548	4,347
Interest expense	20,019	20,785
Net lease and real estate income	6,902	11,949
Other income	2,862	1,743
Net income before non-interest expenses	88,072	82,315
Administrative expenses	59,040	55,255
Head Office relocation		5,426
Income taxes—Large corporations tax (Note 8)	721	1,198
Net income for the year	28,311	20,436
Deficit at beginning of the year	(829,767)	(850,203)
Deficit at end of the year	(801,456)	(829,767)

The accompanying notes are an integral part of the financial statements.

STATEMENT OF CHANGES IN CASH POSITION FOR THE YEAR ENDED MARCH 31, 1994 (in thousands of dollars)

	1994	1993
Operating Activities		
Net income for the year	28,311	20,436
Items not involving cash		
Provision for loan losses	9,608	
Change in accrued interest receivable	20,041	26,278
Change in accrued interest payable	(19,426)	(795)
Other	529	7,470
Cash provided by operating activities	39,063	53,389
Investing Activities		
Long-term investments	(64,396)	
Loans receivable disbursed	(501,978)	(294,503)
Loans receivable repaid	418,267	368,442
Proceeds from disposal of real estate	53,044	40,056
Other	8,267	5,149
Cash (used in) provided by investing activities	(86,796)	119,144
Financing Activities		
Loans from Canada	643,103	265,000
Loans repaid to Canada	(759,976)	(335,732)
Loans from capital markets	199,549	30,882
Loans repaid to capital markets	(317,342)	(50,000)
Change in short-term notes	370,359	(257)
Cash provided by (used in) financing activities	135,693	(90,107)
Increase in cash and short-term investments	87,960	82,426
Cash and short-term investments at beginning of the year	181,116	98,690
Cash and short-term investments at end of the year	269,076	181,116

The accompanying notes are an integral part of the financial statements.

FARM CREDIT CORPORATION—*Continued*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1994

1. THE CORPORATION

(a) *Authority and objectives*

Farm Credit Corporation ("the Corporation") was established in 1959 by the *Farm Credit Act* as the successor to the Canadian Farm Loan Board and is an agent Crown corporation named in Part I of Schedule III to the *Financial Administration Act*.

On April 2, 1993 the *Farm Credit Corporation Act* was proclaimed into law and replaced the *Farm Credit Act* and the *Farm Syndicates Credit Act*, both of which were repealed. The Act continues the Farm Credit Corporation with its Head Office in Regina, Saskatchewan, under an expanded mandate that includes broader lending and administrative powers.

The Corporation's role is to provide mortgage credit and complementary financial services to Canadian farmers and agri-business, and to deliver specific programs of the Government of Canada on a cost-recovery basis.

(b) *Contributed capital*

Contributed capital of the Corporation constitutes capital payments received from the government. The statutory limit is $1,125 million (1993—$1,125 million).

(c) *Limits on borrowing*

The *Farm Credit Corporation Act* restricts the total of direct and contingent liabilities to 12 times the equity of the Corporation. This limit can be increased to 15 times the equity with the prior approval of the Governor in Council. At March 31, 1994, the Corporation's total liabilities were 10.91 times the equity of $316.9 million (1993—11.56 times the equity of $288.6 million).

2. SIGNIFICANT ACCOUNTING POLICIES

(a) *Revenue recognition*

Interest income is recorded on the accrual basis until such time as management determines that a loan should be classified as non-accrual. A loan is classified as non-accrual when:

1) principal or interest is six months past due, unless the loan is well secured, or
2) circumstances indicate doubt as to the ultimate collectibility of principal or interest.

When a loan is initially classified as non-accrual, uncollected interest recognized in the year is reversed against interest income and, where necessary, uncollected interest recognized in previous years is provided for in the allowance for loan losses.

Interest payments on non-accrual loans are recorded as interest income when received where it has been determined that the loan does not require a specific provision for loss; otherwise, they are credited to principal.

Non-accrual loans return to accrual when arrears are eliminated and, in management's opinion, the ultimate collection of principal and interest is reasonably assured.

Lease and other revenues from real estate are recorded when earned.

Loan fees received as compensation for activities which are integral to a specific lending arrangement are deferred and recognized as interest revenue over the term of the resulting loan. Other loan fees are recorded as other income on the same basis as the related costs.

(b) *Allowance for loan losses*

The allowance for loan losses represents management's best estimate of probable losses on the loans outstanding at the end of the year in light of current conditions. It has a specific and a general component.

The specific component is determined based on a loan-by-loan review of undersecured loans. Specific provisions are established for individual loans, where circumstances indicate doubt as to the ultimate collectibility of principal or interest, to value these loans at the lower of their recorded investment or the estimated net realizable value of the underlying security for the loans.

The general component, which is prudential in nature, is established to provide for losses on loans which cannot yet be identified on a loan-by-loan basis.

As a single industry lender, the Corporation is particularly subject to adverse economic trends and other risks and uncertainties affecting certain agricultural regions or sectors. Accordingly, management has also considered the impact of specific factors, such as land value trends, federal and provincial government programs, international trade negotiations, future commodity prices and climatic conditions, in establishing the general component of the allowance. However, future agricultural and economic conditions are not predictable with certainty and, therefore, actual loan losses may vary from management's estimate.

Actual loan losses and write-downs of real estate on acquisition, are charged to the allowance, while recoveries are credited to the allowance. Adjustments of the allowance to the level regarded by management as being appropriate are applied to operations.

(c) *Real estate acquired in settlement of loans*

Real estate is recorded at the lower of the recorded investment in the loan outstanding or the estimated net realizable value of the underlying security of the loan at the time of acquisition. Subsequent declines in estimated net realizable value are charged to the allowance for loan losses.

(d) *Farm Debt Review Process*

Amounts received from the government on behalf of farmers for concessions granted by the Corporation under the Farm Debt Review process are applied as if they had been received directly from the farmers.

(e) *Office equipment and leasehold improvements*

Office equipment and leasehold improvements are recorded at cost less accumulated amortization. Amortization is provided over the estimated useful lives of office equipment and leasehold improvements according to the following methods and rates:

	Methods	Rates
Equipment and furniture	Declining balance	20%
Computer equipment and software	Straight-line	20%
Leasehold improvements	Straight-line	Lease term plus the first renewal option

FARM CREDIT CORPORATION—*Continued*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1994—*Continued*

(*f*) *Translation of foreign currencies*

Loans and related interest payable in foreign currencies are hedged by currency conversion agreements and are translated into Canadian dollars at the rates provided therein. The differences between the ultimate amounts payable at the contracted rates and the cash proceeds of the debt issues are amortized on a straight-line basis and are charged to interest expense over the lives of the obligations.

(*g*) *Financial instruments*

In order to reduce interest rate risk and funding costs, the Corporation uses various types of off-balance sheet derivative financial instruments such as forward rate agreements, currency swaps and interest rate swaps. The cost of these instruments is amortized on a straight-line basis over the life of the instrument and reported as interest expense.

(*h*) *Investments*

Investments, acquired primarily for the purpose of asset/liability management, are carried at cost adjusted for amortization of premiums or discounts to maturity. Interest revenue and gains and losses on disposal are reported as investment income.

(*i*) *Pension plan*

Employees participate in the Public Service Superannuation Plan administered by the Government of Canada. The Corporation's contributions to the plan are limited to matching the employees' contributions for current service. These contributions are expensed during the year in which the services are rendered and represent the total pension obligations of the Corporation.

(*j*) *Employee termination benefits*

On termination of employment, employees are entitled to benefits provided for under their terms of employment. The liability for these benefits is recorded as the benefits accrue to the employees.

(*k*) *Income taxes*

The Corporation follows the tax allocation method of providing for income taxes. The cumulative differences between tax calculated on such a basis and taxes currently payable are essentially timing differences and result in deferred income taxes. The Corporation has deferred income tax benefits which have not been recorded and will only be recognized when there is virtual certainty of realization.

3. LOANS RECEIVABLE

	Annual interest rate	1994	1993
	%	(in thousands of dollars)	
Loans secured by mortgages	5-15 1/4	3,198,474	3,152,414
Loans secured by notes	6 7/8-14 5/8	10,170	13,430
Loans receivable from real estate sales, secured by agreements for sale or mortgages	5-14 5/8	29,141	33,323
		3,237,785	3,199,167
Accrued interest—Current		69,913	81,620
—Arrears		14,931	27,946
		3,322,629	3,308,733
Less: Allowance for loan losses		126,500	124,000
		3,196,129	3,184,733

At March 31, 1994, the Corporation had 2,613 loans representing $250 million of loans receivable classified as non-accrual (1993—3,374 representing $338 million). During the year, interest not recognized on non-accrual loans amounted to $0.5 million (1993—$13 million). The accumulated interest not recognized on non-accrual loans outstanding at March 31, 1994 amounted to $39 million (1993—$58 million).

4. ALLOWANCE FOR LOAN LOSSES

	1994	1993
	(in thousands of dollars)	
Balance at beginning of the year	124,000	160,000
Write-offs, net of recoveries	(13,189)	(27,648)
Declines in value of real estate	(1,575)	(8,352)
Provision for loan losses	9,608	
Allowance on portfolio purchased during the year	7,656	
Balance at end of the year	126,500	124,000
Specific allowance	11,500	24,000
General allowance	115,000	100,000
Balance at end of the year	126,500	124,000

5. REAL ESTATE ACQUIRED IN SETTLEMENT OF LOANS

	1994	1993
	(in thousands of dollars)	
Balance at beginning of the year	231,944	222,595
Acquisitions	36,841	60,728
Disposals	(45,642)	(43,027)
Declines in value of real estate	(1,575)	(8,352)
Balance at end of the year	221,568	231,944

Real estate represents farm property acquired in the process of administering loans receivable.

FARM CREDIT CORPORATION—*Continued*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1994—*Continued*

Real estate under long-term leases may be subject to renewal at the expiry of the original lease term. Lease maturities by fiscal year are as follows:

	1994	1993
	(in thousands of dollars)	
Not currently leased	31,019	15,819
1994		93,797
1995	119,647	71,055
1996	70,902	51,273
	221,568	231,944

6. DOWNPAYMENTS ON REAL ESTATE

	1994	1993
	(in thousands of dollars)	
Equity-building fund	9,584	7,849
Downpayments on real estate sales	5,322	3,623
	14,906	11,472

The Corporation may, through the equity-building lease programs, lease real estate acquired in settlement of loans back to the former owner ("the lessee"). In addition to lease payments, the lessee accumulates funds over the term of the lease by making additional payments to the Corporation. At the discretion of the lessee, these additional payments may then be applied against the purchase of real estate from the Corporation.

7. LOANS PAYABLE

	Annual interest rate	1994	1993
	%	(in thousands of dollars)	
Loans from Canada, secured by notes	5 1/4-11	2,303,118	2,417,898
Loans from capital markets, secured by notes Payable in:			
U.S. dollars (200,000,000)	9-9 1/8	274,740	507,987
Swiss francs (100,000,000)	11		59,666
Canadian dollars	4 1/4-10 3/4	260,277	85,882
		2,838,135	3,071,433
Accrued interest		61,701	81,127
		2,899,836	3,152,560

Amounts due by fiscal year are as follows:

	1994	1993
1994		621,931
1995	392,636	401,902
1996	325,161	312,975
1997	478,830	529,684
1998	537,329	354,779
1999	397,007	186,723
2000 and thereafter	707,172	663,439
	2,838,135	3,071,433
Accrued interest	61,701	81,127
	2,899,836	3,152,560

In order to manage interest rate risk exposures in the portfolio, the Corporation has renegotiated the terms of some of its loans from Canada and will continue to pursue renegotiation of its debt.

8. INCOME TAXES

(a) The loss carry-forward for income tax purposes, which has not been recognized in the financial statements, amounts to $717 million and expires on the dates indicated:

	(in thousands of dollars)
March 31, 1996	97,000
1997	480,000
2001	140,000
	717,000

During the current year the Corporation will incur no income tax expense, other than the large corporations tax ("LCT").

(b) Income taxes payable by the Corporation relate to the LCT, which may be offset against any current or future surtaxes payable. The Corporation has no surtax currently payable.

9. COMMITMENTS TO BORROWERS

As at March 31, 1994, loans to farmers and agri-businesses approved but not disbursed amounted to $10 million (1993—$8 million). These loans were approved at interest rates from 6.125% to 9.875%. It is expected that the majority of these loans will be disbursed by September 30, 1994.

10. OPERATING LEASES

Future minimum payments by fiscal year on operating leases for premises, with initial non-cancelable lease terms in excess of one year, are as follows:

	(in thousands of dollars)
1995	3,970
1996	3,318
1997	2,829
1998	2,420
1999	2,086
2000 and thereafter	4,086
	18,709

These leases generally provide for payment by the Corporation of real estate taxes and operating expenses in excess of the amounts established at the commencement of the lease term.

11. GOVERNMENT PROGRAM

Farm Debt Review Process

During the year, the Minister of Agriculture was authorized to make contributions to farmers, payable to the Corporation. These payments are based on concessions that the Corporation has granted to farmers under arrangements made pursuant to the *Farm Debt Review Act*. The Corporation is reimbursed at the time farmers realize the benefits of the concessions, which may be over a period as long as five years. These concessions cease if the farmers fail to meet their commitments.

FARM CREDIT CORPORATION—*Concluded*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1994—*Concluded*

Since the inception of the Farm Debt Review process, the Corporation has offered $275 million in concessions and billed $247 million to the Government, of which $33 million was billed in the current year. The committed difference of $28 million will be due and received over the next five years as farmers meet their commitments and thereby realize the benefits of the concessions.

Government funding for new concessions under the *Farm Debt Review Act* ceased effective March 31, 1994.

12. FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK

In order to manage exposure to fluctuations in interest rates and foreign exchange, the Corporation uses hedges and derivative financial intruments with off-balance sheet risk.

The Corporation limits its exposure to the risk of non-performance by the counterparty to a transaction by contracting only with financial institutions having a very high credit rating and by applying procedures designed to ensure proper credit approvals, controls and monitoring. The Corporation does not anticipate any significant non-performance by the counterparties to these transactions.

The contractual or notional principal amounts of financial instruments outstanding at March 31, 1994, were as follows:

	1994	1993
	(in thousands of dollars)	
Currency swaps	388,740	681,083
Interest rate swaps	138,000	63,000
Forward rate agreements	188,433	39,000

13. SUBSEQUENT EVENT

On April 15, 1994, the Corporation announced an extended leasing program. As a result, an agreement was reached with the province of Saskatchewan and litigation previously filed against the Corporation related to the *Saskatchewan Farm Security Act* has been resolved.

14. COMPARATIVE FIGURES

Certain 1993 comparative figures have been reclassified to reflect the presentation adopted in 1994.

FEDERAL BUSINESS DEVELOPMENT BANK

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL INFORMATION

The financial statements of the Federal Business Development Bank were prepared and presented by management in accordance with generally accepted accounting principles on a basis consistent with that of the preceding year. The information contained therein normally includes amounts requiring estimation which have been made based upon informed judgment as to the expected results of current transactions and events. The financial information presented elsewhere in this annual report is consistent with the financial statements.

In discharging its responsibility for the integrity, fairness and quality of the financial statements and for the accounting systems from which they are derived, management maintains a system of internal controls designed to provide reasonable assurance that transactions are authorized, assets are safeguarded and proper records are maintained. The system of internal controls is augmented by audit and inspection staff who conduct periodic reviews of different aspects of the Bank's operations. In addition, the Vice-President, Internal Audit, and the Independent Auditors have full and free access to the Audit Committee of the Board of Directors which is responsible for overseeing and reviewing management's internal control and reporting responsibilities. The Board of Directors, through the Audit Committee which is comprised of Directors who are not employees of the Bank, is responsible for reviewing and approving the audited annual financial statements.

The Bank's independent auditors, Raymond, Chabot, Martin, Paré, Chartered Accountants and the Auditor General of Canada have audited the Bank's financial statements and their report indicates the scope of their audit and their opinion on the financial statements.

François Beaudoin
President and Chief Executive Officer

Thompson E. Skinner
Vice-President, Finance and Administration
and Chief Financial Officer

AUDITORS' REPORT

TO THE MINISTER
DESIGNATE OF INDUSTRY

We have audited the balance sheet of the Federal Business Development Bank as at March 31, 1994 and the statements of income, equity of Canada and changes in financial position for the year then ended. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Bank as at March 31, 1994 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles. As required by the *Financial Administration Act*, we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in our opinion, the transactions of the Bank that have come to our notice during our audit of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Federal Business Development Bank Act* and the by-laws of the Bank.

Raymond, Chabot, Martin, Paré
General Partnership
Chartered Accountants

Montreal, Canada
May 20, 1994

L. Denis Desautels, FCA
Auditor General of Canada

Ottawa, Canada
May 20, 1994

FEDERAL BUSINESS DEVELOPMENT BANK—*Continued*

BALANCE SHEET AS AT MARCH 31
(in thousands of dollars)

ASSETS	1994	1993
Cash and short-term investments	146,537	64,985
Securities (Note 3)	219,708	149,167
	366,245	214,152
Loans, net of allowance for credit losses (Note 5)	2,572,691	2,467,548
Venture Capital Investments, net of allowance for credit losses (Notes 4 and 5)	27,710	28,632
	2,600,401	2,496,180
Capital assets, net of accumulated depreciation	5,198	4,157
Other assets (Note 6)	49,429	50,831
	54,627	54,988
Total assets	3,021,273	2,765,320

LIABILITIES AND EQUITY	1994	1993
Accounts payable and accrued liabilities	12,434	13,616
Accrued interest on borrowings	63,063	78,430
	75,497	92,046
Borrowings (Note 7)		
Short-term notes	730,997	521,127
Long-term notes	1,871,114	1,830,734
	2,602,111	2,351,861
Other liabilities (Note 8)	64,055	45,934
Equity of Canada (Note 9)	279,610	275,479
Total liabilities and equity	3,021,273	2,765,320

Approved by the Board:

ROBERT E. STAFFORD
Director

FRANÇOIS BEAUDOIN
Director

FEDERAL BUSINESS DEVELOPMENT BANK—*Continued*

STATEMENT OF INCOME
FOR THE YEAR ENDED MARCH 31
(in thousands of dollars)

	1994	1993
Financial Services		
Loans Division		
Interest income	270,822	294,177
Interest expense (Note 10)	139,162	173,563
Net interest income	131,660	120,614
Provision for credit losses (Note 5)	45,580	38,944
Net interest income after provision for credit losses	86,080	81,670
Operating and administrative expenses (Note 11)	81,511	80,688
Income from Loans Division	4,569	982
Venture Capital Division		
Investment income	6,076	10,778
Provision for credit losses (Note 5)	2,390	4,165
Net investment income after provision for credit losses	3,686	6,613
Operating and administrative expenses (Note 11)	3,315	3,132
Income from Venture Capital Division	371	3,481
Income (loss) from financial services	4,940	4,463
Management Services		
Revenue from activities	18,360	17,311
Operating and administrative expenses (Note 11)	34,244	32,855
Net operating and administrative expenses (Note 11)	15,884	15,544
Parliamentary appropriation	15,075	15,167
Income (loss) from management services (Note 11)	(809)	(377)
Income (loss) from normal business activities	4,131	4,086
Accounting policy change (Note 8)		(28,828)
Net income (loss)	4,131	(24,742)

STATEMENT OF EQUITY OF CANADA
FOR THE YEAR ENDED MARCH 31
(in thousands of dollars)

	1994	1993
Equity, beginning of year	275,479	300,221
Net income (loss)	4,131	(24,742)
Equity, end of year (Note 9)	279,610	275,479

STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED MARCH 31
(in thousands of dollars)

	1994	1993
Cash flows from Operating Activities		
Net income (loss)	4,131	(24,742)
Items not requiring an outlay of cash:		
Accounting policy change		28,828
Provision for credit losses on loans and venture capital investments	47,970	43,109
Depreciation of capital assets	2,619	1,469
Net change in accrued interest	(15,582)	(14,517)
Net change in other assets and other liabilities	19,681	(3,747)
	58,819	30,400
Cash flows used in Investing Activities		
Disbursements to borrowers and investees	(594,129)	(523,957)
Repayments by borrowers and investees	438,929	438,227
Other	(1,776)	573
	(156,976)	(85,157)
Cash flows from (used in) Financing Activities		
Issue of long-term notes	513,064	734,271
Repayment of long-term notes	(472,684)	(526,595)
Net change in short-term notes	209,870	(104,941)
Net change in securities	(70,541)	(149,167)
	179,709	(46,432)
Net increase (decrease) in Cash and Short-Term Investments	81,552	(101,189)
Beginning of year	64,985	166,174
End of year	146,537	64,985

FEDERAL BUSINESS DEVELOPMENT BANK—*Continued*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1994

(in thousands of dollars except as otherwise indicated)

1. Act of incorporation, objectives and operations of the Corporation

The Federal Business Development Bank is a Crown corporation, established by an Act of Parliament on December 20, 1974, to succeed the Industrial Development Bank which had been created in 1944. The Bank is wholly owned by the Government of Canada and is exempt from income taxes.

The objectives of the Bank are to promote and assist in the establishment and development of business enterprises in Canada, especially small and medium-sized businesses, by providing a wide range of financial services such as loans and equity investments in addition to management counselling and training services. The Bank acts as a complementary lender and provides financing in association with other major lenders in order to allow emerging or growth businesses to access financing not normally available. These services are made available across Canada through a broad network of branch and regional offices.

To accomplish these objectives, the Bank issues debt instruments which carry the full faith and credit of Canada.

2. Significant accounting policies

The financial statements of the Federal Business Development Bank have been prepared in accordance with Canadian generally accepted accounting principles applied on a basis consistent with that of the preceding year. The significant accounting policies used in the preparation of these financial statements are summarized below.

Short-term investments and securities:

Short-term investments and securities are stated at lower of cost adjusted for amortization of premiums or discounts to maturity, or market value. Interest revenue and gains or losses on disposals are included in interest expense.

Loans and allowance for credit losses:

Loans are stated at principal amounts including accrued interest receivable, net of allowance for credit losses. The annual provision for credit losses on loans is based upon historical experience and the level of loan losses anticipated. This amount is charged against income and added to the allowance for credit losses which results in an amount considered by management to be adequate to absorb anticipated credit related losses.

Venture capital investments and allowance for credit losses:

Venture capital investments are recorded at cost net of allowance for credit losses. The allowance for credit losses on these investments is established by a management review of individual investments.

Revenue recognition:

Interest on loans is recorded as income on an accrual basis except that interest is not accrued on loans where management believes that the interest will not be recovered. Dividends, interest and capital gains on venture capital investments are recorded as income when received.

Capital assets and depreciation:

Capital assets are recorded at cost and depreciated over their estimated useful lives using the diminishing-balance method for furniture and equipment and the straight-line method for leasehold improvements.

Premiums, discounts and debt issue expenses:

Premiums, discounts and expenses related to the issue of debt are amortized on a straight-line basis over the term of the obligations to which they pertain and charged to interest expense.

Translation of foreign currencies:

Notes payable in foreign currencies and interest thereon, are fully hedged by foreign exchange forward contracts, foreign exchange options or by currency swap agreements and are translated into Canadian dollars at the rates provided therein. The difference between the principal amount payable at maturity and the redemption proceeds of the issue is considered to be an element of financing costs and is therefore amortized to interest expense over the life of the obligation on a straight-line basis. The unamortized portion of these amounts is included with "Other Assets".

Hedging activities:

The Bank engages in a variety of hedging activities through the use of interest rate swap agreements, options, currency swap agreements, foreign exchange forward contracts, foreign exchange forward options, forward rate agreements and interest rate futures contracts. Any resulting gains or losses from the above instruments are recorded as adjustments to interest expense.

Employee pension benefits and other employee benefits:

The Bank maintains a contributory, defined benefit pension plan for eligible employees. Periodic evaluations are performed by independent actuaries to determine the present value of the accrued pension benefits. The costs of the plan, which are included with salaries and staff benefits, are comprised of the cost of pension benefits in respect of current service, and the amortization over the expected average remaining service life of the employees of experience gains or losses in respect of the plan, and any adjustments arising from changes to the plan or the plan assumptions.

Post-retirement benefits other than pensions, consisting of life insurance and health care benefits to eligible retirees, are accrued annually based on actuarial valuations.

Employees of the Bank are eligible for specified post-employment benefits, calculated at salary levels in effect at the time of departure. The present value of these post-employment benefits, as determined by actuarial valuation, is recorded in "Other Liabilities".

3. Securities

All securities held by the Bank are instruments fully guaranteed by the Government of Canada. The market value of these securities as at March 31, 1994 is $221,944 ($150,608 as at March 31, 1993).

FEDERAL BUSINESS DEVELOPMENT BANK—*Continued*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1994—*Continued*

4. Venture capital investments

The Bank maintains a portfolio of venture capital investments which is focused on companies having promising competitive positions in their respective marketplaces and strong growth potential. The duration of these investments is generally 4 to 7 years. Divestitures are made through listings of investee shares on public markets or the sale of the Bank's shares to other existing shareholders or third parties.

The following is a summary of the venture capital portfolio at year end:

	1994	1993
Common shares	23,090	19,932
Preferred shares	3,804	4,959
Debentures	10,439	13,363
	37,333	38,254
Allowance for credit losses	(9,623)	(9,622)
Venture capital investments, net of allowance for credit losses	27,710	28,632

5. Allowance for credit losses

	1994			1993		
	Loans	Venture Capital Investments	Total	Loans	Venture Capital Investments	Total
Balance at beginning of year	236,508	9,622	246,130	246,501	10,063	256,564
Write-offs	(56,216)	(2,389)	(58,605)	(50,524)	(4,626)	(55,150)
Recoveries	1,883		1,883	1,587	20	1,607
	182,175	7,233	189,408	197,564	5,457	203,021
Provision for credit losses	45,580	2,390	47,970	38,944	4,165	43,109
Balance at end of year	227,755	9,623	237,378	236,508	9,622	246,130

6. Other Assets

	1994	1993
Accured interest receivable	40,129	38,789
Unamortized debt issue expenses on long-term notes	3,285	7,094
Other	6,015	4,948
	49,429	50,831

FEDERAL BUSINESS DEVELOPMENT BANK—*Continued*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1994—*Continued*

7. Borrowings

The Bank issues debt instruments in world capital markets to fund its loan portfolio. The table below shows Canadian dollar notes and foreign currency notes, fully hedged and converted into Canadian dollars.

Maturity date	Nominal rate	Denominated in foreign currency		1994	1993
	%	(in thousands)			
Short-term notes					
1994	3.03-5.65	USD	346,398		
		CAD	82,149		521,127
1995	3.05-5.13	GBP	34,889		
		USD	328,538		
		CAD	221,789	730,997	
Total short-term notes				730,997	521,127
Long-term notes					
Within a year					
1994	Zero coupon (13.35)	CHF	15,000		
		ITL	25,000,000		
		USD	100,500		
		CAD	222,000		379,864
1995	Zero coupon (11.50)	AUD	50,000		
		XEU	110,000		
		ITL	17,000,000		
		JPY	7,800,000		
		USD	63,000		
		CAD	536,167	903,118	737,605
Longer than a year					
May 8, 1995	8.65			20,000	20,000
May 9, 1995	8.65			7,440	7,440
May 18, 1995	12.00			20,000	20,000
June 8, 1995	10.40 (1)	JPY	5,000,000	46,176	46,176
August 25, 1995	4.75 (2)	USD	25,000	32,300	
December 22, 1995	Zero coupon (3)	JPY	5,000,000	61,403	
February 18, 1996	7.35			65,000	75,000
February 20, 1996	10.00 (4)			10,000	
May 8, 1996	11.49 (5)	USD	50,000	57,705	57,705
July 10, 1996	Zero coupon (6)			10,000	10,000
August 5, 1996	7.20 (1)	JPY	5,000,000	47,418	47,418
September 16, 1996	7.65 (4)			30,700	
December 11, 1996	6.50	JPY	2,920,000	25,000	25,000
December 16, 1996	7.56 (4)			122,800	
December 17, 1996	7.25			100,000	100,000
March 4, 1997	7.25 (4)			20,000	
August 27, 1997	Floating (7)	JPY	2,000,000		18,741
September 10, 1997	Floating (7)	JPY	6,000,000		57,406
March 10, 1998	7.50			150,000	150,000
June 30, 1998	4.15	JPY	1,690,000	20,517	
July 29, 1998	6.00 (8)	JPY	2,527,388	24,707	28,379
October 15, 1998	Zero coupon (9)	USD	35,000	46,830	
November 25, 1998	8.78			50,000	50,000
Total long-term notes				1,871,114	1,830,734
Current portion of long-term notes with maturity date longer than a year				4,041	6,672

FEDERAL BUSINESS DEVELOPMENT BANK—*Continued*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1994—*Continued*

(1) Repayment terms are related to the performance of the NIKKEI stock average.

(2) Repayment terms are related to the ITL 2-year swap rate.

(3) Repayment terms are related to the price of the NIKKEI 300 futures.

(4) Repayment terms are related to the JPY/CAD exchange rate.

(5) Repayment terms are related to the value of the Australian Dollar and the Japenese Yen.

(6) Repayment terms are related to the performance of the S&P 500 index.

(7) Interest rate is the Yen LIBOR.

(8) Principal and interest are payable in annual blended installment of JPY 599,992,903 (CAD 6,529) to maturity.

(9) Coupon rate of interest is based on the average of 2-year swap rates for 6 countries.

The preceding table includes $1,583,600 in 1994 and $1,166,100 in 1993 of long-term notes payable which have been the subject of interest rate swap agreements and options with other financial institutions. These borrowings fund a portion of the Bank's floating interest rate loan portfolio.

As at March 31, 1994, the payments on long-term notes are as follows:

1995	907,159
1996	266,767
1997	418,520
1998	155,389
1999	123,279
	1,871,114

8. Accounting policy change

Commencing March 31, 1993, post-retirement benefits other than pensions are accounted for on an accrual basis. Previously, these costs were expensed as paid. The effect of this change, which was applied prospectively, resulted in additional expenses of $28,828 for the year ended March 31, 1993; $20,718 for Financial Services and $8,110 for Management Services. The increase in expenses for Management Services will be funded by parliamentary appropriation when disbursed. The corresponding liabilities associated with this change are included with "Other Liabilities".

9. Equity of Canada and statutory limitations on capital and operations

The Minister of Finance, with the approval of the Governor in Council, has authorized capital payments to the Bank totalling $475,000, being the maximum allowed by subsection 28(1) of the Federal Business Development Bank Act. The Bank may receive additional funding for the purposes of section 20 of the Act by way of parliamentary appropriation.

	1994	1993
Amount paid to the Bank of Canada as referred to in subsection 28(1)(a) of the *Federal Business Development Bank Act*	79,000	79,000
Amounts paid in pursuant to subsection 28(1) of the *Federal Business Development Bank Act*	475,000	475,000
Amounts paid in by appropriation	36,000	36,000
Capital paid by Canada	590,000	590,000

The Equity of Canada is $279,610 as at March 31, 1994 ($275,479 as at March 31, 1993) and is comprised of the Capital Paid in by Canada, as detailed above, reduced by the accumulated deficit of $310,390 as at March 31, 1994 ($314,521 as at March 31, 1993).

The total of direct and contingent liabilities of the Bank may not exceed twelve times the amount of its "Capital" as defined in subsection 28(2) of the Federal Business Development Bank Act (or up to fifteen times with the approval of the Governor in Council). These liabilities combined with the Bank's "Capital" may not exceed $3,200,000.

10. Interest expense

	1994	1993
Long-term notes	121,513	145,570
Short-term notes	37,536	50,194
Security and short-term investment income	(19,887)	(22,201)
	139,162	173,563

FEDERAL BUSINESS DEVELOPMENT BANK—*Continued*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1994—*Continued*

11. Operating and administrative expenses

	1994			1993		
	Financial Services		Management Services	Financial Services		Management Services
	Loans Division	Venture Capital Division		Loans Division	Venture Capital Division	
Salaries and staff benefits	47,274	1,724	21,826	47,883	1,813	20,790
Premises and equipment	13,540	478	3,717	11,935	484	3,099
Other expenses	20,697	1,113	8,701	20,870	835	8,966
	81,511	3,315	34,244	80,688	3,132	32,855

Operating and administrative expenses for Management Services identified above, include certain long-term non-cash accruals for pension, post-retirement and post-employment benefits which will be funded by appropriation when they are disbursed. Accordingly, these amounts are included in the loss from Management Services for the year.

Net operating and administrative expenses for Management Services comprise the operating and administrative expenses less revenue from activities and are broken down by program as follows:

	1994	1993
Management Counselling	7,405	8,329
Management Training	8,479	7,215
	15,884	15,544

12. Off-balance sheet financial instruments

The Bank enters into hedging transactions to manage exposure to fluctuations in interest rates and foreign exchange. These transactions include interest rate swap agreements, options, currency swap agreements, foreign exchange forward contracts, foreign exchange forward options, forward rate agreements and interest rate futures contracts.

There is an inherent risk of loss related to the possibility that a counterparty to a transaction does not perform as agreed. In the event of default by a counterparty, the risk to the Bank in these transactions would be limited to the currency and/or interest rate differentials.

The Bank limits its exposure to this type of risk by dealing only with financial institutions having very high credit ratings and by continually monitoring its position and the credit rating of its counterparties.

Interest rate swap agreements and options

Interest rate swap agreements involve the exchange of interest flows over a defined period of time without the exchange of the underlying principal amounts. The option involves the right of the Bank to buy specific financial products at a predetermined date. As at March 31, the amounts committed are as follows:

	1994	1993
Interest rate swap agreements	3,314,543	1,848,348
Options	40,000	

FEDERAL BUSINESS DEVELOPMENT BANK—*Concluded*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1994—*Concluded*

Currency swap agreements, foreign exchange forward contracts and options

Currency swap agreements, foreign exchange forward contracts and options are options and/or agreements to buy or sell specified amounts of foreign currencies at fixed prices on specified future dates. As at March 31, the amounts committed are as follows:

	1994	1993
Currency swap agreements	808,447	680,451
Foreign exchange forward contracts	611,958	445,771
Foreign exchange forward options	40,510	40,510

Forward rate agreements and interest rate futures contracts

Forward rate agreements and interest rate futures contracts are contracts to buy or sell financial instruments at fixed rates or prices at specified dates. As at March 31, the amounts outstanding are as follows:

	1994	1993
Forward rate agreements	50,000	256,000
Interest rate futures contracts		75,000

13. Contingent liabilities and commitments

As at March 31, 1994:

(a) the Bank is guarantor of loans aggregating $1,348.

(b) various legal proceedings arising from the normal course of business are pending against the Bank. Management considers that the aggregate liability resulting from these proceedings will not be material.

(c) the undisbursed amounts on loans and venture capital investments authorized aggregate $180,195.

(d) the future minimum lease commitments under operating leases related to the rental of Bank premises are as follows:

1995	10,910
1996	9,789
1997	8,517
1998	7,111
1999	5,082
2000-2020	132,861
	174,270

14. Employee pension benefits

Based on the latest actuarial valuation prepared as at December 31, 1993, the present value of the accrued pension benefits and the market related value of the net assets amounted to $245,484 and $251,991 respectively. The employee pension benefits expense included in the Statement of Income for the year ended March 31, 1994, amounts to $4,806 and $5,578 in 1993. The cumulative difference between the amounts expensed and the funding contributions is recorded in the Balance Sheet under "Other Assets" or "Other Liabilities", as applicable.

15. Cultural Industries Development Fund

The Federal Business Development Bank administers on behalf of the Department of Canadian Heritage (DOCH), the Cultural Industries Development Fund (CIDF). The CIDF was developed to provide, under certain conditions, flexible financing and management counselling to businesses involved in the Canadian cultural industries. As stipulated in the agreement, DOCH will finance up to $33,000 over a five-year period which commenced in 1992, part of which covers the administration and delivery of the program. A total of $4,360 was transferred to the CIDF in 1994 ($8,565 in 1993). There remains an amount of $12,112 to be allocated for future years.This fund is not accounted for in the financial statements of the Bank.

16. Comparative financial data

Certain comparative figures have been reclassified to conform with the presentation adopted in 1994.

FRESHWATER FISH MARKETING CORPORATION

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The financial statements of Freshwater Fish Marketing Corporation and all information in this annual report are the responsibility of management. The statements have been prepared in accordance with generally accepted accounting principles, using management's best estimates and judgements, where appropriate. Financial information presented elsewhere in the annual report is consistent with the statements.

In discharging its responsibility for financial reporting, management maintains and relies on financial and management control systems and practices which are designed to provide reasonable assurance that transactions are authorized, assets are safeguarded, and proper records are maintained. These controls and practices are designed to ensure the orderly conduct of business, the accuracy of accounting records, the timely preparation of reliable financial information and the adherence to the Corporation's policies and statutory requirements.

The Board of Directors is responsible for ensuring that management fulfils its responsibilities for financial reporting and exercises this responsibility through the Audit Committee of the Board, which is composed of Directors who are not employees of the Corporation. The Audit Committee meets regularly with management and the external auditors, who have full and free access to the Audit Committee.

The Corporation's external auditor, the Auditor General of Canada, audits the financial statements and reports to the Minister of Fisheries and Oceans.

Tom Dunn
President

Gabriella Bradics
Controller

Winnipeg, Canada
July 20, 1994

AUDITOR'S REPORT

TO THE MINISTER OF FISHERIES AND OCEANS

I have audited the balance sheet of the Freshwater Fish Marketing Corporation as at April 30, 1994 and the statements of income and retained earnings and changes in financial position for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at April 30, 1994 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles. As required by the *Financial Administration Act*, I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Corporation that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Freshwater Fish Marketing Act* and by-laws of the Corporation.

Raymond Dubois, FCA
Deputy Auditor General
for the Auditor General of Canada

Ottawa, Canada
July 20, 1994

FRESHWATER FISH MARKETING CORPORATION—*Continued*

BALANCE SHEET AS AT APRIL 30, 1994

ASSETS	1994	1993
	$	$
Current		
Accounts receivable		
Trade	3,646,277	3,257,080
Other	483,289	733,703
Loan receivable (Note 3)	82,860	76,320
Inventories		
Finished fish products	2,771,022	5,314,642
Packaging material and supplies	951,084	1,120,337
Prepaid expenses	153,819	141,892
	8,088,351	10,643,974
Loan receivable (Note 3)	435,015	477,000
Capital assets (Note 4)	7,344,499	8,029,480
	15,867,865	19,150,454

LIABILITIES	1994	1993
	$	$
Current		
Bank indebtedness	226,357	200,442
Working capital loans from Canada (Note 5)	500,000	800,000
Bank loans (Note 6)	5,622,850	5,164,320
Accounts payable and accrued liabilities	1,812,282	1,816,723
Provision for final payments to fishermen	3,083,983	6,689,416
	11,245,472	14,670,901
Bank loans (Note 6)	469,540	508,800
	11,715,012	15,179,701
EQUITY		
Retained earnings	4,152,853	3,970,753
	15,867,865	19,150,454

Approved by the Board:

MAURICE BLANCHARD
Director

EDWARD ISFELD
Director

FRESHWATER FISH MARKETING CORPORATION—*Continued*

STATEMENT OF INCOME AND RETAINED EARNINGS FOR THE YEAR ENDED APRIL 30, 1994

	1994	1993
	$	$
Sales		
Export	32,032,812	37,586,348
Domestic	6,746,895	8,175,575
	38,779,707	45,761,923
Expenses		
Cost of sales	31,528,706	34,754,970
Amortization	1,308,998	1,561,054
Salaries and employee benefits	972,412	1,108,445
Interest (Note 7)	542,761	487,590
Other	1,160,747	986,861
	35,513,624	38,898,920
Income before provision for final payments to fishermen	3,266,083	6,863,003
Provision for final payments to fishermen	3,083,983	6,689,416
Net income for the year	182,100	173,587
Retained earnings at beginning of the year	3,970,753	3,797,166
Retained earnings at end of the year	4,152,853	3,970,753

STATEMENT OF CHANGES IN FINANCIAL POSITION FOR THE YEAR ENDED APRIL 30, 1994

	1994	1993
	$	$
Cash provided by (used for)		
Operating activities		
Net income for the year	182,100	173,587
Add (deduct) items not affecting cash		
Amortization	1,308,998	1,561,054
Loss (gain) on sale of capital assets	(4,227)	7,965
Net changes in non-cash working capital balances relating to operations	2,557,722	1,571,244
Cash provided by operations	4,044,593	3,313,850
Investing activities		
Additions to capital assets	(631,013)	(1,064,073)
Decrease in loan receivable	35,445	38,255
Proceeds on sale of capital assets	11,223	26,030
Cash used for investing activities	(584,345)	(999,788)
Financing activities		
Increase in bank loans	419,270	1,466,368
Decrease in working capital loans from Canada	(300,000)	(4,600,000)
Cash provided by (used for) financing activities	119,270	(3,133,632)
Increase (decrease) in provision for final payments to fishermen	(3,605,433)	792,291
Decrease in cash during the year	(25,915)	(27,279)
Bank indebtedness at beginning of the year	(200,442)	(173,163)
Bank indebtedness at end of the year	(226,357)	(200,442)

FRESHWATER FISH MARKETING CORPORATION—*Continued*

NOTES TO FINANCIAL STATEMENTS
APRIL 30, 1994

1. AUTHORITY, OBJECTIVES AND OPERATIONS

The Corporation was established by the *Freshwater Fish Marketing Act* (the Act) in 1969, as a corporation without share capital, for the purpose of marketing and trading in fish, fish products and fish by-products in and out of Canada. The Corporation is an agent Crown corporation named in Schedule III, Part I of the *Financial Administration Act* and is required to conduct its operations on a self-sustaining basis. Total loans outstanding from Canada and from banks may not exceed $30 million.

The Corporation has the exclusive right to market the products of the commercial fishery in the provinces participating in the program in inter-provincial and export trade. Participation of the provinces of Manitoba, Saskatchewan, Alberta and Ontario, and the Northwest Territories was established by agreement with the Government of Canada.

2. SIGNIFICANT ACCOUNTING POLICIES

Inventories

Finished fish products are valued at the lower of cost and net realizable value. Packaging material and parts are valued at the lower of cost and replacement cost.

Amortization

Amortization is based on the estimated useful lives of the assets using the following methods and annual rates:

Buildings	—Lake stations	Straight-line	5-10%
	—Plants	Straight-line	2 1/2%
Equipment	—Machinery and office equipment	Declining balance	10-40%
	—Automotive	Declining balance	30%
Fresh fish delivery tubs		Straight-line	10%
Vessels		Straight-line	6 2/3%

Leasehold improvements are amortized on a straight-line basis over the term of the lease. Lease terms vary in length up to 20 years.

Payments to fishermen

The Corporation purchases fish at initial prices established by the Board of Directors and the cost of such purchases is included in the cost of sales. A guide used in the determination of the initial price is 80% of the projected total payments to fishermen (initial plus final), based upon forecasts prepared by the Corporation. Final payments, if any, to fishermen are determined by the Board after the end of the year, based on the results of operations for the year. The final payments are made in respect of products purchased during the year and therefore are charged to operations of the current year.

Foreign currency translation

Amounts receivable and payable denominated in foreign currency are translated into Canadian dollars at the year-end exchange rate. Transactions in foreign currency during the year are translated at the rate in effect at the time of the transactions. Foreign exchange gains and losses are included in interest expense.

Pension plan

Employees of the Corporation participate in the Public Service Superannuation Plan administered by the Government of Canada. The employees and the Corporation contribute equally to the cost of the plan. The Corporation's contributions are charged to expenditure on a current year basis, and represent the total pension obligations of the Corporation. The Corporation is not required under present legislation to make contributions with respect to actuarial deficiencies of the Public Service Superannuation Account.

3. LOAN RECEIVABLE

The loan receivable is secured by various property, plant and equipment, and matures in December 1995.

4. CAPITAL ASSETS

	1994			1993
	Cost	Accumulated amortization	Net	Net
	$	$	$	$
Land	272,419		272,419	263,065
Buildings	6,430,167	3,547,606	2,882,561	3,042,827
Equipment	13,949,306	10,656,879	3,292,427	3,879,588
Fresh fish delivery tubs	2,856,630	2,617,932	238,698	304,754
Vessels	249,771	86,889	162,882	166,476
Leasehold improvements	429,346	424,593	4,753	3,075
Construction in progress	490,759		490,759	369,695
	24,678,398	17,333,899	7,344,499	8,029,480

5. WORKING CAPITAL LOANS FROM CANADA

These loans are made under Section 16(1) of the Act and bear interest at 5.9434% (1993—5.47%). They are secured by promissory notes.

6. BANK LOANS

	1994	1993
	$	$
Promissory note, repayable in U.S. dollars, bearing interest at 3.9875% (3.6875% in 1993), maturing May 4, 1994	5,539,990	5,088,000
Unsecured loan, repayable in monthly instalments of $5,000 U.S., bearing interest at 9%, maturing in December 1995	552,400	585,120
	6,092,390	5,673,120
Less: current portion	5,622,850	5,164,320
	469,540	508,800

FRESHWATER FISH MARKETING CORPORATION—*Concluded*

NOTES TO FINANCIAL STATEMENTS
APRIL 30, 1994—*Concluded*

7. INTEREST EXPENSE

	1994	1993
	$	$
Interest on working capital loans from Canada	92,483	232,010
Interest on bank loans	247,015	242,768
Loss on foreign exchange	257,669	155,799
Interest income	(54,406)	(142,987)
	542,761	487,590

8. INCOME TAXES

The Corporation is eligible to deduct for tax purposes a portion of its eligible capital cost allowance, and accordingly has no taxable income for the year. At April 30, 1994, the excess of undepreciated capital cost over net book value of capital assets amounted to $1,842,427 (1993—$2,015,173) which can be used to reduce future years' taxable income.

9. REMUNERATION TO FOREIGN AGENTS

During the year, the Corporation paid an aggregate amount of $536,593 (1993—$626,223) to the following foreign sales agents: Juhl Brokerage Incorporation, Associated Marketing Services Inc., R.M. Sloan Co., G&G Food Sales Company, Benolken Brokerage Company, X. Sea. Lnt International Corp., Performance Foods, Great Lakes Marketing, McMahon & MacDonald Food Brokers, D.B. Clark Sales, Better 4U Foods, Harbison Seafood Co., Amende & Schultz Inc.—United States; I. LeGrand H. Malo et Cie—France; Lejos Oy—Finland; Rud Kanzow Gmbh & Co.—Germany; BOE Sjostrom Trading AB—Sweden.

GREAT LAKES PILOTAGE AUTHORITY LTD.

AUDITOR'S REPORT

TO THE MINISTER OF TRANSPORT

I have audited the balance sheet of Great Lakes Pilotage Authority Ltd. as at December 31, 1993 and the statements of operations, deficit and changes in financial position for the year then ended. These financial statements are the responsibility of the Authority's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Authority as at December 31, 1993 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles. As required by the *Financial Administration Act*, I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Authority that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Pilotage Act* and regulations, the *Canada Business Corporations Act* and the articles and by-laws of the Authority.

D. Larry Meyers, FCA
Deputy Auditor General
for the Auditor General of Canada

Ottawa, Canada
January 19, 1994

BALANCE SHEET AS AT DECEMBER 31, 1993

ASSETS	1993	1992
	$	$
Current		
Cash and short-term deposits	606,484	798,324
Accounts receivable	1,673,949	1,103,169
Due from Canada (Note 3)		1,000,000
	2,280,433	2,901,493
Capital assets (Note 4)	54,633	32,435
	2,335,066	2,933,928

LIABILITIES	1993	1992
	$	$
Current		
Accounts payable and accrued liabilities	1,990,430	2,078,457
Accrued employee termination benefits		133,364
	1,990,430	2,211,821
Long-term		
Accrued employee termination benefits	2,668,738	3,243,208
	4,659,168	5,455,029
SHAREHOLDER'S DEFICIENCY		
Capital stock		
Authorized—50 shares		
Issued and fully paid—15 shares	1,500	1,500
Contributed capital	82,074	82,074
Deficit	(2,407,676)	(2,604,675)
	(2,324,102)	(2,521,101)
	2,335,066	2,933,928

Commitments (Note 5)

Approved by the Board:

R.G. ARMSTRONG
Director

G. ST. MARSEILLE
Director

GREAT LAKES PILOTAGE AUTHORITY LTD.—*Continued*

STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 1993

	1993	1992
	$	$
Revenues		
Pilotage charges	9,299,386	8,105,298
Interest and other income	47,571	60,774
Despatching and pilot boat income (Note 6)	40,400	125,823
	9,387,357	8,291,895
Expenses		
Pilots' salaries and benefits	6,490,758	6,654,911
Staff salaries and benefits	1,065,699	1,030,839
Transportation and travel	657,651	610,237
Pilot boat services (Note 6)	288,799	475,773
Employee termination benefits	286,501	179,837
Retiring incentives	203,500	
Professional and special services	139,186	149,704
Communications	57,197	46,525
Rentals	55,947	54,702
Retired employee benefits	35,922	31,772
Purchased despatching services	33,022	31,315
Utilities, materials and supplies	32,206	44,045
Amortization	20,212	12,908
Pilot training costs	12,751	13,560
Repairs and maintenance	9,516	10,082
Life insurance experience loss (gain)	(41,465)	85,000
	9,347,402	9,431,210
Net profit (loss) for the year	39,955	(1,139,315)

STATEMENT OF DEFICIT
FOR THE YEAR ENDED DECEMBER 31, 1993

	1993	1992
	$	$
Balance, beginning of the year	(2,604,675)	(3,315,360)
Parliamentary appropriation to finance cash operating loss for (Note 3):		
1991		850,000
1992	157,044	1,000,000
Net profit (loss) for the year	39,955	(1,139,315)
Balance, end of the year	(2,407,676)	(2,604,675)

STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED DECEMBER 31, 1993

	1993	1992
	$	$
Cash provided by (used in):		
Operating activities		
Net profit (loss) for the year	39,955	(1,139,315)
Items not requiring cash		
Employee termination benefits expense	286,501	179,837
Amortization	20,212	12,908
Employee termination benefits payments	(994,335)	(210,474)
Cash deficiency (Note 3)	(647,667)	(1,157,044)
Net change in working capital components other than cash and short-term deposits	(658,807)	(469,913)
	(1,306,474)	(1,626,957)
Financing activities		
Parliamentary appropriation	1,157,044	850,000
Investing activities		
Increase in capital assets	(42,410)	(13,641)
Decrease in cash	(191,840)	(790,598)
Cash and short-term deposits, beginning of year	798,324	1,588,922
Cash and short-term deposits, end of year	606,484	798,324

GREAT LAKES PILOTAGE AUTHORITY LTD.—*Concluded*

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1993

1. Authority and objectives

The Great Lakes Pilotage Authority Ltd. was established in February 1972 pursuant to the *Pilotage Act*, incorporated as a limited company in May 1972, and is continued under the *Canada Business Corporations Act*. Pursuant to the *Financial Administration Act*, the Authority is a Crown corporation listed in Schedule III Part I thereto. The Authority is a subsidiary of the St. Lawrence Seaway Authority but is deemed to be a parent corporation within the meaning of the *Financial Administration Act*.

The objectives of the Authority are to establish, operate, maintain and administer a safe and efficient pilotage service within designated Canadian waters. The Act provides that the pilotage tariffs shall be fair, reasonable and sufficient and, together with any revenue from other sources, shall permit the Authority to operate on a self-sustaining financial basis.

The Authority is exempt from any income taxes.

2. Significant accounting policies

Parliamentary appropriations

Parliamentary appropriations received to finance the cash deficiency are recorded in the year in which they are voted by Parliament. Any portion of the appropriations pertaining to operating expenditures requiring an outlay of funds is reflected in the statement of deficit. Any portion of the appropriations pertaining to the acquisition of capital assets is recorded as contributed capital.

Amortization

Amortization of capital assets is calculated on a straight-line basis and is based on the estimated useful lives of the assets as follows:

Buildings	20 years
Furniture and equipment	5 to 10 years

Pension plan

All employees are covered by the Public Service Superannuation Plan administered by the Government of Canada. Contributions to the Plan are required from both the employee and the Authority. Contributions with respect to current service are expensed in the current period. Contributions with respect to past service benefits are expensed when paid. The Authority is not required under present legislation to make contributions with respect to actuarial deficiencies of the Public Service Superannuation Account.

Employee termination benefits

Employees are entitled to specified benefits on termination as provided for under labour contracts and conditions of employment. The liability for these benefits is recorded in the accounts as the benefits accrue to the employees. The current liability reflects the accrued termination benefits of only those employees who have indicated their intention to terminate their employment within the coming year.

Employee life insurance plan

The Authority provides a life insurance plan for its employees. Surpluses and deficits from the plan are included in the Statement of Operations in the year in which they are incurred.

Retired employee benefits

The Authority contributes toward medical benefits and life insurance for those retired employees who elect for such coverage. The expense is recorded in the year in which it is incurred.

3. Parliamentary appropriation

The Authority is seeking a parliamentary appropriation of $647,667 in the final Supplementary Estimates for 1993-94 for its cash deficiency arising from 1993 operations.

4. Capital assets

	1993			1992
	Cost	Accumulated amortization	Net	Net
	$	$	$	$
Land and buildings	63,642	63,027	615	765
Furniture and equipment	195,892	141,874	54,018	31,670
	259,534	204,901	54,633	32,435

5. Commitments

The Authority has a lease agreement for the rental of office space. Future minimum rental payments are:

	$
1994	32,044
1995	38,235
1996	39,384
1997	40,569
1998	41,779
1999	3,490
	195,501

In addition, the Authority has contract commitments of approximately $275,000 for the pilot boat services for the next year. Tenders have also been requested for some of the land transportation for the next two years. Expenditures for the services being tendered were approximately $215,000 in 1993.

6. Dispatching and pilot boat services to U.S. District No. 1 pilots

The Authority provides all dispatching services and pilot boat services in Port Weller to the U.S. District No.1 pilots and the U.S. Authority provides pilot boat services for the Authority in Cape Vincent, New York. In past years, each Authority has billed the other for these services. Beginning in 1993, under an agreement, these services are exchanged for a nominal value of one dollar.

7. Related party transactions

The Authority is related in terms of common ownership to all Government of Canada created departments, agencies and Crown corporations. The Authority enters into transactions with these entities in the normal course of business.

HALIFAX PORT CORPORATION

AUDITORS' REPORT

TO THE HONOURABLE DOUGLAS YOUNG, P.C., M.P.
MINISTER OF TRANSPORT

We have audited the balance sheet of Halifax Port Corporation as at December 31, 1993, and the statements of earnings and surplus and changes in financial position for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 1993, and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Further, in our opinion, the transactions of the Corporation that have come to our notice during our examination of the financial statements have, in all significant respects, been in accordance with the *Financial Administration Act* and Regulations, the *Canada Ports Corporation Act*, and the by-laws of the Corporation.

Doane Raymond
Chartered Accountants

Halifax, Canada
January 26, 1994

BALANCE SHEET AS AT DECEMBER 31, 1993

ASSETS	1993	1992
	$	$
Current		
Cash	1,523	143,483
Investments (Note 3)	7,931,288	6,720,669
Accounts receivable	2,450,908	1,977,209
Grants in lieu of municipal taxes	142,594	91,409
Materials and supplies	53,955	61,337
	10,580,268	8,994,107
Accounts receivable	181,313	223,094
Property and equipment (Note 4)	55,533,536	56,663,804
	66,295,117	65,881,005

LIABILITIES	1993	1992
	$	$
Current		
Accounts payable and accrued liabilities	1,911,770	1,671,230
Deferred revenues	563,879	571,767
	2,475,649	2,242,997
Accrued employee benefits	714,911	827,828
	3,190,560	3,070,825
EQUITY		
Contributed capital	50,856,865	50,856,865
Surplus	12,247,692	11,953,315
	63,104,557	62,810,180
	66,295,117	65,881,005

Contingent liabilities (Note 5)
See accompanying notes.

On behalf of the Board:

LOIS A. GLIBBERY
Acting Chairman of the Board

DAVID F. BELLEFONTAINE
President and Chief Executive Officer

HALIFAX PORT CORPORATION—*Continued*

STATEMENTS OF EARNINGS AND SURPLUS
FOR THE YEAR ENDED DECEMBER 31, 1993

	1993	1992
	$	$
Revenue from operations	10,801,089	10,818,361
Operating and administrative expenses	7,703,717	7,963,114
Depreciation	2,187,956	2,170,233
Grants in lieu of municipal taxes	985,400	991,647
	10,877,073	11,124,994
Loss from operations	(75,984)	(306,633)
Investment income	377,919	404,049
Interest expense		(67,677)
Loss (gain) on disposal of fixed assets	7,558	(8,927)
	370,361	345,299
Net earnings	294,377	38,666
Surplus, beginning of year	11,953,315	11,993,005
Net earnings	294,377	38,666
Dividend to Canada		(78,356)
Surplus, end of year	12,247,692	11,953,315

See accompanying notes.

STATEMENTS OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED DECEMBER 31, 1993

	1993	1992
	$	$
Cash derived from (applied to)		
Operating		
Net earnings	294,377	38,666
Depreciation	2,187,956	2,170,233
Other	(105,359)	54,228
	2,376,974	2,263,127
Change in non-cash operating working capital	(283,736)	365,248
	2,093,238	2,628,375
Financing		
Decrease in accounts receivable	41,781	43,094
Increase in accounts payable	196	13,082
Loans from Canada		(2,714,506)
Dividend to Canada		(78,356)
	41,977	(2,736,686)
Investing		
Additions to property and equipment	(1,067,256)	(362,547)
Proceeds on disposal of assets	700	8,927
	(1,066,556)	(353,620)
Net increase (decrease) in cash and short-term investments	1,068,659	(461,931)
Cash and short-term investments, beginning of year	6,864,152	7,326,083
Cash and short-term investments, end of year	7,932,811	6,864,152

See accompanying notes.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1993

1. LOCAL PORT CORPORATION

In accordance with the *Canada Ports Corporation Act*, sections 6.1 and 6.2, a petition for the establishment of a local port corporation at the Port of Halifax was approved and the Halifax Port Corporation was established effective June 1, 1984.

In accordance with the *Canada Ports Corporation Act*, the assets, liabilities and equity were transferred at their carrying values in the accounts of the Canada Ports Corporation—Port of Halifax to Halifax Port Corporation.

2. SIGNIFICANT ACCOUNTING POLICIES

Investments

The investments, which are direct and guaranteed securities of Canada, are shown at amortized cost. Premiums or discounts are amortized over the periods to maturity.

Fixed assets

Fixed assets are recorded at cost, except for those transferred to the Corporation from Canada, which are recorded at appraised or fair market value established at the time of transfer. Grants towards capital projects received from Canada and from third parties are deducted from the cost of the related fixed assets.

Depreciation is calculated on the straight-line basis for the full year, commencing with the year the asset becomes operational, using rates based on the estimated useful lives of the assets.

Pension costs

All permanent employees of the Corporation are covered by the Public Service Superannuation Plan administered by Canada. Contributions to the plan are required from both the employees and the Corporation. The annual contributions for pensions are recognized in the accounts on a current basis.

Grants in lieu of municipal taxes

The expense for grants in lieu of municipal taxes is based on estimated municipal assessments adjusted in accordance with the *Municipal Grants Act*. Grants are paid after the amounts have been audited by the Municipal Grants division of Public Works Canada. Any adjustments upon finalization are reflected in the accounts in the year of settlement.

Employee benefits

The Corporation accrues in its accounts, annually, the estimated liabilities for severance pay, annual leave, and overtime compensatory leave, which are payable to its employees in subsequent years under its collective agreements or in accordance with its policy.

3. INVESTMENTS

	1993		1992	
	Amortized cost	Face value	Amortized cost	Face value
	$	$	$	$
Short Term	7,931,288	8,099,000	6,720,669	6,827,100

HALIFAX PORT CORPORATION—*Concluded*

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1993—*Concluded*

4. PROPERTY AND EQUIPMENT

	1993				1992
	Depreciation rates	Cost	Accumulated depreciation	Net book value	Net book value
	%	$	$	$	$
Land		24,550,606		24,550,606	24,547,627
Dredging	2.5-6.7	3,443,290	2,493,277	950,013	997,730
Berthing structures	2.5-10	35,183,565	20,834,638	14,348,927	14,871,897
Buildings	2.5-10	19,004,170	12,547,577	6,456,593	6,619,186
Utilities	3.3-10	6,444,241	3,115,925	3,328,316	3,243,383
Road and surfaces	2.5-10	8,639,220	5,917,661	2,721,559	3,058,151
Machinery and equipment	5-100	9,994,888	7,155,676	2,839,212	3,058,271
Office furniture and equipment	20	1,340,165	1,154,023	186,142	193,935
Projects under construction		152,168		152,168	73,624
		108,752,313	53,218,777	55,533,536	56,663,804

5. CONTINGENT LIABILITIES

The Corporation has been named as one of the defendants in a lawsuit for damages for which the plaintiff has quantified an amount of approximately $2 million. In the opinion of management this claim is without merit and therefore no provision has been made in the accounts.

INTERNATIONAL DEVELOPMENT RESEARCH CENTRE

RESPONSIBILITY FOR FINANCIAL STATEMENTS

The financial statements have been prepared by management in accordance with generally accepted accounting principles appropriate in the circumstances. Management also assumes responsibility for all other information in the annual report, which is consistent —where applicable— with that contained in the financial statements. In support of its responsibility, management maintains financial systems and practices to provide reasonable assurance as to the reliability of financial information, and that assets are safeguarded and the operations are carried out effectively. The Centre has an Internal Audit department whose functions include reviewing internal controls and their application on an ongoing basis.

The Board of Governors is responsible for ensuring that management fulfils its responsibilities for financial reporting and internal control. The Board benefits from the assistance of its Finance and Audit Committee in overseeing and discharging its financial management responsibility, which includes the review and approval of the financial statements. The Committee, which is made up of Governors, meets with management, the internal auditors, and the external auditors on a regular basis.

The Auditor General of Canada conducts an independent examination in accordance with generally accepted auditing standards and expresses his opinion on the financial statements. His examination includes appropriate tests and procedures to enable him to report whether the financial statements are presented fairly. The external auditors have full and free access to the Finance and Audit Committee of the Board. The Auditor General of Canada is now conducting a comprehensive audit of the Centre's activities and will be reporting his findings to the Board during the fiscal year 1994-95.

AUDITOR'S REPORT

TO THE INTERNATIONAL DEVELOPMENT RESEARCH CENTRE
AND THE
MINISTER DESIGNATE OF FOREIGN AFFAIRS

I have audited the balance sheet of the International Development Research Centre as at March 31, 1994 and the statements of operations, equity and changes in the financial position for the year then ended. These financial statements are the responsibility of the Centre's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Centre as at March 31, 1994 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

D. Larry Meyers, FCA
Deputy Auditor General
for the Auditor General of Canada

Ottawa, Canada
June 15, 1994

BALANCE SHEET AS AT MARCH 31, 1994
(in thousands of dollars)

ASSETS	1994	1993
Current		
Cash and short-term deposits (Note 3)	33,367	10,211
Accounts receivable	939	834
Prepaid expenses	1,362	1,371
	35,668	12,416
Recoverable deposits	113	137
Property and equipment (Note 4)	5,279	5,275
Endowment funds (Note 5)	201	229
Total assets	41,261	18,057

LIABILITIES	1994	1993
Current		
Accounts payable and accrued liabilities (Note 6)	8,816	13,032
Contract research (Note 7)	3,528	748
	12,344	13,780
Accrued employee separation benefits	2,797	2,587
Deferred rent—Head Office	986	1,397
Endowment funds (Note 5)	201	229
Total liabilities	16,328	17,993
EQUITY		
Equity (Note 8)	24,933	64
Total liabilities and equity	41,261	18,057

Approved:

KEITH BEZANSON
President

ANTOINE HAWARA
Treasurer

INTERNATIONAL DEVELOPMENT RESEARCH CENTRE—*Continued*

STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 1994
(in thousands of dollars)

	1994	1993
Expenses		
Development research activities		
Project grants	76,807	73,920
Contract research (Note 7)	9,938	7,605
	86,745	81,525
Research-related activities		
Technical support	12,598	12,041
Information dissemination	3,893	4,824
Development-research library	1,906	1,855
	18,397	18,720
Research operational support		
Regional offices	6,172	5,961
Division management	4,572	5,258
	10,744	11,219
Total research and support expenses	115,886	111,464
General management expenses	12,966	13,655
Costs recovered (Note 9)	(962)	(902)
	127,890	124,217
Revenue		
Grant from Parliament of Canada (Note 8)	142,000	117,074
Investment and other income	821	1,478
Contract research (Note 7)	9,938	7,605
	152,759	126,157
Excess of revenue over expenses	24,869	1,940

STATEMENT OF EQUITY
FOR THE YEAR ENDED MARCH 31, 1994
(in thousands of dollars)

	1994	1993
Balance at the beginning of the year	64	(1,876)
Excess of revenue over expenses	24,869	1,940
Balance at the end of the year	24,933	64

STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED MARCH 31, 1994
(in thousands of dollars)

	1994	1993
Operating activities		
Cash provided by (used in) operations		
Excess of revenue over expenses	24,869	1,940
Items not affecting cash		
Amortization of property and equipment	1,541	1,246
Provision for restructuring program	163	261
Provision for employee separation benefits	347	242
Loss on disposal of equipment	119	15
Amortization of deferred rent	(411)	(305)
	26,628	3,399
Changes in non cash operating assets and liabilities		
Accounts receivable	(105)	70
Prepaid expenses	9	(355)
Recoverable deposits	24	17
Accounts payable and accrued liabilities	(4,000)	(3,359)
Payment of employee separation benefits	(517)	(217)
Contract research liability	2,781	227
	(1,808)	(3,617)
Cash provided by (used in) operating activities	24,820	(218)
Investing activities		
Additions to property and equipment	(1,755)	(2,525)
Proceeds on disposal of equipment	91	87
Cash used by investing activities	(1,664)	(2,438)
Increase (decrease) in cash	23,156	(2,656)
Cash and short-term deposits at the beginning of the year	10,211	12,867
Cash and short-term deposits at the end of the year	33,367	10,211

INTERNATIONAL DEVELOPMENT RESEARCH CENTRE—*Continued*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1994

1. Authority and objective

The International Development Research Centre, a Corporation without share capital, was established in 1970 by the Parliament of Canada through the *International Development Research Centre Act*. The annual grant received from the Parliament of Canada is pursuant to Foreign Affairs Vote 45 for the year ending March 31, 1994.

The objective of the Centre is to initiate, encourage, support, and conduct research into the problems of the developing regions of the world and into the means for applying and adapting scientific, technical, and other knowledge to the economic and social advancement of those regions.

On June 12, 1992 the Government of Canada announced that the mandate of the Centre would be broadened so as to deal specifically with the environment and related concerns.

2. Significant accounting policies

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles and reflect the following significant accounting policies.

Property and equipment

Property and equipment are recorded at cost and amortized over their estimated useful lives. Leasehold improvements are amortized over the terms of the respective leases. The methods and rates used to provide for the amortization of property and equipment are:

	Method	Rate (%)
Computer equipment	Straight line	20
Leasehold improvements	Straight line	5-50
Office furniture and equipment	Diminishing balance	20
Vehicles	Diminishing balance	30
Telephone system	Straight line	20

Recognition of revenue

Parliamentary grants are recorded as revenue on an accrual basis.

Revenue in respect of contract research is recognized at the time the related project expenses are incurred. Contract research funds received in excess of expenses are included in current liabilities.

Accrued employee separation benefits

Employees are entitled to specified termination benefits, calculated at salary levels in effect at the time of separation as provided for by conditions of employment. The liability for these benefits is recorded as the benefits accrue to employees.

Deferred rent

Any rent-free period or other benefits associated with long-term leases are deferred and amortized over the term of the lease on a straight-line basis.

Pension costs

Employees are covered by the Public Service Superannuation Plan administered by the Government of Canada. Contributions to the Plan are required from the employees and the Centre. These contributions represent the total liability of the Centre and are recognized in the accounts on a current basis.

The Centre is not required under present legislation to make contributions with respect to actuarial deficiencies of the Public Service Superannuation Account.

Income taxes

The Centre is exempt from any income taxes.

Foreign-currency translation

Foreign-currency transactions are translated into Canadian dollars by the use of an average exchange rate that closely approximates the rate in effect at the transaction date. Monetary assets and liabilities are adjusted to reflect the rate of exchange in effect at year-end. Exchange gains and losses are included in operations for the current year.

3. Cash and short-term deposits

	1994	1993
	(in thousands of dollars)	
Cash	(18)	(306)
Short-term deposits		
Canadian banks	13,621	7,349
Federal and provincial governments	12,823	2,072
Commercial companies	6,941	1,096
	33,367	10,211

4. Property and equipment

	1994			1993
	Cost	Accumulated amortization	Net	Net
	(in thousands of dollars)			
Computer equipment	7,147	4,131	3,016	2,954
Leasehold improvements	1,591	618	973	969
Office furniture and equipment	1,485	870	615	688
Telephone system	1,003	805	198	145
Vehicles	936	459	477	519
	12,162	6,883	5,279	5,275

Depreciation and amortization for the period ended March 31, 1994 amounted to $1,541 (1993, $1,246).

INTERNATIONAL DEVELOPMENT RESEARCH CENTRE—*Concluded*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1994—*Concluded*

5. Endowment funds

In 1987, the estate of the late John Bene established a fund to provide a postgraduate fellowship in the field of social forestry. During the same year, a former member of the Board of Governors of the Centre established a fund for applied or mission-oriented research. In 1990, the Centre received a contribution from the V International Conference on AIDS, which was used to establish a fund for the purpose of AIDS research in the Third World.

	1994	1993
	(in thousands of dollars)	
Balance at the beginning of the year	229	214
Interest income	9	14
Expenses	(37)	1
Balance at the end of the year	201	229
John Bene	152	160
Governor	23	22
AIDS	26	47
Total endowment funds	201	229

6. Accounts payable and accrued liabilities

	1994	1993
	(in thousands of dollars)	
Accrued liabilities—Projects	4,655	6,529
Other	2,516	3,534
Accrued annual and other leave benefits	1,432	1,595
Restructuring program	121	904
Employee separation benefits	92	470
	8,816	13,032

7. Contract research

(in thousands of dollars)

Contract research relates to research conducted or managed by the Centre on behalf of other organizations. These are funded by other international agencies, the Canadian International Development Agency (CIDA) and other federal government entities.

Contract research expenses of $9,938 (1993, $7,605) include $7,969 (1993, $5,389) expended on behalf of CIDA. In addition, the Centre received $492 (1993, $261) as an administration fee from CIDA.

Contract research current liabilities of $3,528 (1993, $748) include $2,300 held on behalf of CIDA (1993, $125).

8. Equity

In March 1994, the Centre received a supplementary grant of $27 million. Of this amount, $12 million is restricted for the Micronutrients Initiative; the balance is to support the core programs of research and development.

9. Costs recovered on foreign currency transactions

(in thousands of dollars)

Foreign currency transactions: The Centre has entered into Debt Swaps, as approved by the government of South Africa, to improve the exchange rates received on the transfer funds for operations and programs. The proceeds of these transactions in excess of the official rates amounting to $368 (1993, $589) are reported as a cost recovery rather than as a reduction of expenditures. This allows for a better comparison to prior years' expenses as it is expected that these opportunities will be temporary in nature.

Contract research: The Centre has also received $594 (1993, $313) in administration fees on its contract research projects.

10. Operating leases commitments

The Centre has entered into various lease arrangements for staff accommodation in various countries and for office premises and equipment in Canada and abroad. In December 1993, the Centre entered into a new lease agreement for its premises at its head office. This new lease will commence in 1995 and expire in 2007.The total minimum annual payments under such lease arrangements will be:

Year ending March 31	(in thousands of dollars)
1995	5,431
1996	4,813
1997	4,757
1998	4,875
1999	4,945
2000-2007	46,278
Total	71,099

11. Contractual commitments—Project grants and project development

The Centre is committed to make payments up to $143.7 million during the next 4 years subject to funds being provided by Parliament or external donors and subject to compliance by recipients with the terms of project agreements. The Centre has also submitted formal grant offers to prospective recipients totalling $6.9 million and is awaiting acceptance of these offers.

12. Related party transactions

In addition to those related party transactions disclosed elsewhere in these financial statements, the Centre is related in terms of common ownership to all Government of Canada created departments, agencies, and Crown corporations. The Centre enters into transactions with these entities in the normal course of business.

13. Contingency

A potential claim of approximately $800,000 relating to a leased property may be filed. Management, based on advice of legal counsel, believes that the Centre will not have any liability in the foreseeable future.

LAURENTIAN PILOTAGE AUTHORITY

AUDITOR'S REPORT

TO THE MINISTER OF TRANSPORT

I have audited the balance sheet of Laurentian Pilotage Authority as at December 31, 1993 and the statements of operations, contributed capital, deficit and changes in financial position for the year then ended. These financial statements are the responsibility of the Authority's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Authority as at December 31, 1993 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles. As required by the *Financial Administration Act*, I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Authority that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Pilotage Act* and regulations and the by-laws of the Authority.

L. Denis Desautels, FCA
Auditor General of Canada

Ottawa, Canada
February 11, 1994

BALANCE SHEET AS AT DECEMBER 31, 1993

ASSETS	1993	1992
	$	$
Current		
Accounts receivable	5,392,478	5,077,580
Receivable from Canada (Note 3)	1,000,000	1,500,000
	6,392,478	6,577,580
Capital (Note 4)		
Land, buildings, pilot boats and other facilities	2,324,584	2,284,142
Less: accumulated amortization	1,859,582	1,793,270
	465,002	490,872
	6,857,480	7,068,452

LIABILITIES	1993	1992
	$	$
Current		
Bank indebtedness	825,854	1,066,412
Accounts payable	5,972,725	5,572,947
	6,798,579	6,639,359
Provision for employee termination benefits	714,000	772,000
	7,512,579	7,411,359
Contingencies (Note 5)		
EQUITY DEFICIENCY OF CANADA		
Contributed capital	1,278,088	1,205,697
Deficit	(1,933,187)	(1,548,604)
	(655,099)	(342,907)
	6,857,480	7,068,452

Approved by the Authority:

JACQUES MARQUIS
Chairman

RICHARD FOURNIER
Member

LAUNRENTIAN PILOTAGE AUTHORITY—*Continued*

STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 1993

	1993	1992
	$	$
Revenues		
Pilotage charges	26,934,473	27,417,064
Interest and other revenues	31,388	90,687
	26,965,861	27,507,751
Expenses		
Pilots' fees, salaries and benefits	26,944,542	27,231,724
Operating costs of pilot boats	2,751,247	1,919,634
Staff salaries and benefits	1,924,868	1,862,099
Professional services and members' allowances	524,218	510,899
Rentals	211,954	216,154
Communications	148,703	166,688
Transportation, travel and hospitality	147,064	153,398
Utilities, material and supplies	88,640	90,959
Maintenance	49,020	39,913
Financing costs	29,187	160,499
Other	111,709	92,237
	32,931,152	32,444,204
Net loss for the year	5,965,291	4,936,453

STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED DECEMBER 31, 1993

	1993	1992
	$	$
Operating activities		
Net loss for the year	(5,965,291)	(4,936,453)
Non-cash items		
Amortization	93,702	91,745
Increase (decrease)in the provision for employee termination benefits	(58,000)	27,000
	(5,929,589)	(4,817,708)
Increase in accounts receivable	(314,898)	(172,282)
Increase (decrease) in accounts payable	399,778	(916,244)
	(5,844,709)	(5,906,234)
Investing activities		
Additions to capital assets—Net	(67,832)	(72,391)
Financing activities		
Parliamentary appropriations	6,153,099	6,263,158
Bank indebtedness		
Decrease for the year	240,558	284,533
Balance at beginning of the year	(1,066,412)	(1,350,945)
Balance at end of the year	(825,854)	(1,066,412)

STATEMENT OF CONTRIBUTED CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 1993

	1993	1992
	$	$
Balance at beginning of the year	1,205,697	1,158,701
Parliamentary appropriation to finance the previous year's acquisition of capital assets	72,391	46,996
Balance at end of the year	1,278,088	1,205,697

STATEMENT OF DEFICIT
FOR THE YEAR ENDED DECEMBER 31, 1993

	1993	1992
	$	$
Balance at beginning of the year	1,548,604	2,828,313
Net loss for the year	5,965,291	4,936,453
Parliamentary appropriations to finance the operating deficit (Note 3):		
Previous year	(580,708)	(1,979,162)
Current year	(5,000,000)	(4,237,000)
Balance at end of the year	1,933,187	1,548,604

LAURENTIAN PILOTAGE AUTHORITY—*Continued*

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1993

1. Authority and activities

The Laurentian Pilotage Authority was established in 1972 under the *Pilotage Act.* Its objectives are to establish, operate, maintain and administer in the interests of safety an efficient pilotage service within certain designated Canadian waters in and around the Province of Quebec. The Act provides that pilotage tariffs shall be fair and reasonable and assure a revenue which, together with any revenue from other sources, is sufficient to permit the Authority to operate on a self-sustaining basis.

The Authority is a Crown corporation named in Part I of Schedule III to the *Financial Administration Act.*

2. Significant accounting policies

Capital assets

Capital assets obtained from Canada when the Authority was established were recorded at the then assigned values. Capital assets purchased subsequently by the Authority are recorded at cost.

Capital assets are amortized using the straight-line method, at rates based on the estimated useful lives of the assets.

Contributed capital

The values assigned to the capital assets obtained from Canada when the Authority was established and the net cost of capital assets financed from parliamentary appropriations are recorded as contributed capital.

Parliamentary appropriations

Parliamentary appropriations received to finance the excess of expenditures over revenues are recorded in the year in which they are voted by Parliament, to contributed capital for that portion pertaining to the acquisition of capital assets and to the deficit for that pertaining to operations. In this respect, operating expenditures include only those which require an outlay of funds.

Pension plan

Employees participate in the Superannuation Plan administered by the Government of Canada. The employees and the Authority contribute equally to the cost of the Plan. This contribution represents the total liability of the Authority. Contributions in respect of current service and of admissible past service are expensed when paid. The terms of payment of past service contributions are set by the applicable purchase conditions, generally over the number of years of service remaining prior to retirement.

The Authority is not required under present legislation to make contributions with respect to actuarial deficiencies of the Public Service Superannuation Account.

Employee termination benefits

On termination of employment, employees are entitled to certain benefits provided for under their collective agreements and their conditions of employment. The cost of these benefits is expensed in the year in which they are earned.

3. Parliamentary appropriation

In the Main Estimates for 1993-94, Parliament approved an appropriation of $3,000,000 to cover the excess of expenditures over revenues of the Authority for the year 1993. During the year, Treasury Board approved two temporary allotments of $1,000,000 each from its Vote 5, Government Contingencies, prior to the release in Supplementary Estimates for 1993-94 of an appropriation of up to $3,279,000 to cover the balance of the excess of expenditures over revenues of the Authority for the year 1993.

4. Capital assets

Details of capital assets are as follows:

	1993			1992
	Cost	Accumulated amortization	Net	Net
	$	$	$	$
Land	9,300		9,300	9,300
Buildings	37,552	31,408	6,144	7,581
Pilot boats	1,420,189	1,273,832	146,357	178,820
Furniture and fixtures	313,348	133,836	179,512	151,606
Communications equipment	151,528	129,737	21,791	26,685
Boarding facilities	223,634	180,897	42,737	49,267
Wharf improvements	169,033	109,872	59,161	67,613
	2,324,584	1,859,582	465,002	490,872

Amortization for the year is $93,702 ($91,745 in 1992).

The estimated useful lives for the major categories of capital assets for the purposes of calculating amortization are as follows:

Buildings	10 years
Pilot boats	10 and 15 years
Furniture and fixtures	10 years
Communications equipment	10 years
Boarding facilities	10 and 20 years
Wharf improvements	20 years

5. Contingencies

In connection with its operations, the Authority is the claimant or defendant or otherwise involved in pending claims and lawsuits. Some of the claims or lawsuits are for the purpose of contesting the validity of certain of the Authority's regulations or the application. Those claims and lawsuits amount to approximately $6,600,000. It is the opinion of management that these actions will not result in any material liabilities to the Authority. No provision has been recorded in the accounts in this regard.

Any payment by the Authority as a result of the above mentioned issues will be charged to operations in the year in which a decision is rendered.

LAURENTIAN PILOTAGE AUTHORITY—*Concluded*

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1993—*Concluded*

6. Related party transactions

The Authority is related in terms of common ownership to all Government of Canada created departments, agencies and Crown corporations. The Authority enters into transactions with these entities in the normal course of business.

7. Comparative financial data

Certain amounts pertaining to the fiscal year ended December 31, 1992, have been reclassified to conform with the presentation adopted for fiscal year ended December 31, 1993.

MARINE ATLANTIC INC.

MANAGEMENT RESPONSIBILITIES FOR FINANCIAL REPORTING

The preparation and presentation of the consolidated financial statements is the responsibility of Marine Atlantic Inc.'s management. These financial statements have been prepared in accordance with Canadian generally accepted accounting principles consistently applied, after giving retroactive effect to the changes in the recognition of accrued revenue from the Government of Canada and vessel refit expenses as explained in Note 3 to the financial statements, using management's best estimates and judgements that are considered appropriate to the Corporation's circumstances. Management also relies on an actuarial report to record the activities of the pension fund.

Management is responsible for the reliability and integrity of the consolidated financial statements including the notes to the statements and other financial information contained in the annual report. In addition, management is also responsible for maintaining books of account, information systems, systems of financial and management control, and a comprehensive internal audit program. These managerial controls and procedures are intended to provide reasonable assurance that accurate financial information is available, that assets are safeguarded and controlled, that resources are managed efficiently, and that transactions are conducted in accordance with relevant legislation and the Corporation's articles of incorporation and by-laws.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Board oversees its responsibilities through the Audit Committee. The Committee reviews matters related to accounting, auditing, internal control systems, and the financial statements.

KPMG Peat Marwick Thorne and the Auditor General of Canada, the independent auditors of the Corporation appointed under the *Financial Administration Act*, have audited the Corporation's consolidated financial statements in accordance with generally accepted auditing standards. The independent auditors have full and unrestricted access to the Audit Committee to discuss their audit and related findings and the adequacy of the system of internal controls.

The consolidated financial statements and the annual report have been approved by the Board of Directors.

D.J. Weaver
Vice-President, Finance and Administration

J.L. Brean
Executive Vice-President

Moncton, Canada
February 19, 1994

AUDITORS' REPORT

TO THE MINISTER OF TRANSPORT

We have audited the consolidated balance sheet of Marine Atlantic Inc. as at December 31, 1993 and the consolidated statements of earnings, deficit and changes in financial position for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 1993 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles. As required by the *Financial Administration Act,* we report that, in our opinion, these principles have been applied, after giving retroactive effect to the changes in the recognition of accrued revenue from the Government of Canada and vessel refit expenses as explained in Note 3 to the financial statements, on a basis consistent with that of the preceding year.

Further, in our opinion, the transactions of the Corporation and of its wholly-owned subsidiaries that have come to our notice during our audit of the consolidated financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Marine Atlantic Inc. Acquisition Authorization Act* and the articles of incorporation and by-laws of the Corporation and its wholly-owned subsidiaries.

L. Denis Desautels, FCA
Auditor General of Canada

Ottawa, Canada

KPMG Peat Marwick Thorne
Chartered Accountants

Moncton, Canada
February 11, 1994, except as to Note 12 which is as of February 19, 1994

MARINE ATLANTIC INC.—*Continued*

CONSOLIDATED BALANCE SHEET
DECEMBER 31, 1993
(with comparative figures for 1992)
(in thousands of dollars)

ASSETS	1993	1992
Current assets:		
Cash (Note 4)	931	3,389
Accounts receivable	9,932	8,458
Receivable from Government of Canada (Note 5)	2,115	45
Work in progress	133	1,951
Inventory of fuel and supplies	5,256	6,756
Prepaid expenses	1,935	1,673
	20,302	22,272
Capital assets and deferred charges (Note 6)	382,827	392,007
	403,129	414,279

LIABILITIES AND SHAREHOLDER'S DEFICIENCY	1993	1992
Current liabilities:		
Bank indebtedness	742	
Accounts payable and accrued liabilities	21,089	23,485
Accrued vacation pay	9,265	9,548
	31,096	33,033
Long-term debt (Note 7)	8,065	8,065
Deferred capital assistance (Note 8)	377,358	386,266
SHAREHOLDER'S DEFICIENCY:		
Share capital (Note 9)	258,530	258,530
Deficit	(271,920)	(271,615)
	(13,390)	(13,085)
Commitments and contingencies (Notes 2 (i) and 11)		
	403,129	414,279

See accompanying notes to consolidated financial statements.

On behalf of the Board

ALAN K. SCALES
Director

D.W. STEVENSON
Director

MARINE ATLANTIC INC.—*Continued*

CONSOLIDATED STATEMENT OF EARNINGS
YEAR ENDED DECEMBER 31, 1993
(with comparative figures for 1992)
(in thousands of dollars)

	1993	1992
Revenue:		
Commercial revenue	79,847	75,398
Vessel repairs	4,146	9,007
Interest and other income	1,005	1,618
	84,998	86,023
Operating expenses:		
Wages amd benefits	102,656	103,376
Materials	21,152	18,554
Fuel	20,849	20,830
Contracted services	18,198	18,549
Insurance, rent and utilities	9,554	8,729
Other	12,829	13,471
Other services	15,267	21,900
Amortization	28,086	27,022
	228,591	232,431
Loss from operations	(143,593)	(146,408)
Amortization of deferred capital assistance (Note 8)	27,823	26,759
Government funding:		
Government contract revenue received	115,506	116,857
Government contract revenue reprofiled (Note 5)	(6,102)	(7,084)
Subsidies and contracted services	6,061	9,397
Net loss for the year	(305)	(479)

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION
YEAR ENDED DECEMBER 31, 1993
(with comparative figures for 1992)
(in thousands of dollars)

	1993	1992
Cash provided by (used in):		
Operations:		
Net loss for the year	(305)	(479)
Items not involving cash:		
Amortization	28,086	27,022
Amortization of deferred capital assistance	(27,823)	(26,759)
Change in non-cash operating working capital	(3,167)	(448)
	(3,209)	(664)
Financing:		
Capital assistance	18,915	13,040
Investments:		
Expenditures on capital assets and deferred charges	(18,915)	(13,040)
Proceeds on disposal of capital assets	9	
Long-term receivables		166
	(18,906)	(12,874)
Decrease in cash	(3,200)	(498)
Cash, beginning of year	3,389	3,887
Cash, end of year	189	3,389
Cash is comprised of the following:		
Cash	931	3,389
Bank indebtedness	(742)	
	189	3,389

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF DEFICIT
YEAR ENDED DECEMBER 31, 1993
(with comparative figures for 1992)
(in thousands of dollars)

	1993	1992
Deficit, beginning of year		
As previously reported	(262,067)	(261,817)
Adjusment for retroactive changes in accounting policies (Note 3)	(9,548)	(9,319)
As restated	(271,615)	(271,136)
Net loss for the year	(305)	(479)
Deficit, end of year	(271,920)	(271,615)

See accompanying notes to consolidated financial statements.

MARINE ATLANTIC INC.—*Continued*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 1993
(in thousands of dollars)

1. Nature of operations and authority:

The *Marine Atlantic Inc. Acquisition Authorization Act* was proclaimed in 1986. In accordance with the Act, the Corporation's articles restrict the business that it may carry on to the acquisition, establishment, management and operation of a marine transportation service, a marine maintenance repair and refit service, a marine construction business and any service or business related thereto. Marine Atlantic Inc. is a Crown corporation listed in Schedule III, Part I of the *Financial Administration Act* and is not subject to income tax under the provisions of the *Income Tax Act*.

The Corporation's activities are also governed by agreements negotiated with the Government of Canada. The agreements provide, among other things, for the Corporation to receive contract revenues from the Government of Canada to the extent that the cost of providing ferry, coastal, terminal and water services is not recovered from commercial revenues. In addition, and subject to parliamentary appropriations, amounts are received to finance the acquisition of capital assets on a proven cash needs basis. The allocation of funds received in respect of contract revenue and the acquisition of capital assets are subject to approval by the Minister of Transport. As a result, the Corporation is economically dependent on the Government of Canada for the funds it receives through these arrangements.

2. Significant accounting policies:

(a) Basis of presentation:

These consolidated financial statements include the accounts of the Corporation and its wholly-owned subsidiaries Coastal Transport Limited and Newfoundland Dockyard Corporation. All intercompany transactions have been eliminated in these consolidated financial statements.

(b) Government funding:

Revenues received, to fund operating expenses in excess of commercial revenues, under contract to provide ferry service to Atlantic Canada are based on operating budgets approved by the Government of Canada for each year and are included in income in the year. At the end of the fiscal year, excess government contract revenue is reprofiled to eliminate any cash operating surplus.

Amounts received or receivable from the Government of Canada under the Capital Funding Agreement are restricted for the purchase of capital assets. These funds are recorded as Deferred Capital Assistance in the year in which the related capital assets are recorded, and are amortized to income on the same basis and over the same periods as the related capital assets are amortized.

In accordance with the operating and capital agreements, capital assistance receivable at year end is reduced by excess operating contract revenue.

(c) Work in progress:

Ship repair and maintenance activities of the Newfoundland Dockyard Corporation are valued on a percentage of completion basis.

(d) Inventory of fuel and supplies:

Inventories are valued at the lower of cost and replacement cost. Cost is determined on a weighted-average basis.

(e) Capital assets:

Capital assets are carried at cost less accumulated amortization. Deferred charges, consisting mainly of dredging costs, are accounted for at cost less accumulated amortization.

(f) Amortization:

Amortization is calculated at rates sufficient to write off capital assets over their estimated useful lives generally on a straight-line basis. The rates for significant classes of assets are as follows:

Asset	Rate
Vessels	5%
Terminal properties	2.5%
Equipment	10%, 12.5% and 25%
Leasehold improvements	lesser of 5 years or term of lease
Deferred charges	straight-line basis over 60 months

(g) Vessel spare parts:

The Corporation maintains spare parts for vessels in service. The cost of spare parts is charged to operations when the spare parts are acquired.

(h) Foreign currency translation:

Monetary assets and liabilities denominated in a foreign currency are translated at exchange rates in effect at the balance sheet date. Gains and losses arising on translation are included in interest and other income for the year. Other assets and liabilities, revenues and expenses are translated using exchange rates in effect at the date of the transaction.

(i) Employee compensation:

(i) Pension plans:

Substantially all of the Corporation's employees are covered by a defined benefit retirement plan. Pension costs related to benefits earned by employees in the current year are charged to earnings. The last actuarial valuation at December 31, 1991 identified a net deficiency for the plan, which is being amortized on a straight-line basis over the estimated average remaining service lives of the related employee group.

MARINE ATLANTIC INC.—*Continued*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 1993—*Continued*

(ii) Personal injury costs:

Certain employees, retired as a result of injury, receive specified benefits. These benefits are administered and paid by the workers' compensation boards of the four Atlantic provinces. The Corporation recognizes the benefit payouts as an expense in the year paid to the workers' compensation boards.

3. Changes in accounting policies:

Effective January 1, 1993, the Corporation changed its accounting policies regarding vessel refits and the timing of related Government funding recognition for vessel refits and vacation pay expenses.

Prior to this year, the Corporation accrued vessel refit expenses during the period between refits. The Corporation also recognized related Government revenue for vessel refits and vacation pay as receivable in advance of the funding being approved by Parliament.

Beginning this year, the Corporation recognizes vessel refit expenses at the time the refit is performed. Vacation pay expense continues to be recognized when incurred by the Corporation. However, the Corporation now recognizes revenue related to these items only to the extent that funding has been approved by Parliament.

These changes, which have been applied retroactively, eliminated the asset Accrued revenue—Government of Canada, of $16,080 (1992—$17,248) and the liability Accrued vessel refits of $6,815 (1992—$7,919) from the balance sheet, increased the opening deficit by $9,548 (1992—$9,319), and increased (decreased) net earnings by $283 (1992—$(229)).

4. Cash:

	1993	1992
Cash	472	3,389
Restricted cash	459	
	931	3,389

The restricted cash balance arose as a result of a court in France requiring a certified cheque as security, pending the resolution of claims against a Marine Atlantic Inc. vessel on charter (see Note 11(g)).

5. Receivable from Government of Canada:

As described in Note 2(b), capital assistance receivable at year end is reduced by the amount of excess operating contract revenue received, as follows:

	1993	1992
Government contract revenue reprofiled	(6,102)	(7,084)
Receivable under Capital Funding Agreement	3,911	5,483
Funds transferred to subsidiary	2,578	1,230
Capital assistance receivable (payable)	387	(371)
In addition to the Operating and Capital Funding Agreements, the Government of Canada has agreed to make contributions to Newfoundland Dockyard Corporation through its parent, Marine Atlantic Inc., to cover operating and capital requirements.		
Receivable under funding agreements of subsidiary	1,728	416
Receivable from Government of Canada	2,115	45

As described in Note 3, the Corporation changed its accounting policy regarding the timing of Government funding recognition for vacation pay expenses. Funding of the accrued vacation pay of $9,265 will be recognized when approved by Parliament.

6. Capital assets and deferred charges:

	1993			1992
	Cost	Accumulated amortization	Net book value	Net book value
Vessels	451,776	173,393	278,383	293,795
Terminal properties	116,313	35,348	80,965	80,922
Equipment	41,684	19,164	22,520	16,192
Leasehold improvements	1,145	260	885	928
	610,918	228,165	382,753	391,837
Deferred charges	5,624	5,550	74	170
	616,542	233,715	382,827	392,007

MARINE ATLANTIC INC.—*Concluded*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 1993—*Concluded*

7. Long-term debt:

Province of Newfoundland debenture, with an interest rate of 16.55%, maturing in the year 2008. Under the terms of the Province of Newfoundland debenture, payment of non-cumulative annual interest and principal are required to the extent that annual funds are available from Newfoundland Dockyard Corporation. To date, no payments have been required. At maturity, the unpaid balance of the principal amount of the debenture shall cease to be an obligation of the Corporation.

8. Deferred capital assistance:

In accordance with changes in 1986 in the contractual funding agreements, future amortization on those capital assets and deferred charges acquired prior to January 1, 1987, and which had substantially been financed through the issue of share capital, were no longer recoverable under contracts with the Government of Canada.

Management adjusted the retained earnings in 1986 by $290,600 in their belief that the Corporation would not generate sufficient commercial revenue to recover these costs. As the related assets are amortized or disposed of, deferred capital assistance is reduced on the same basis. Amounts received or receivable from the Government of Canada to finance the acquisition of capital assets are credited to this account as well (see Note 2 (b)).

9. Share capital:

The authorized share capital of the Corporation is comprised of an unlimited number of common shares of no par value. As at December 31, 1993 and 1992, 517,061 shares at $0.50 per share have been issued and fully paid.

10. Related party transactions:

The Corporation is related in terms of common ownership to all Government of Canada created departments, agencies and Crown corporations. The Corporation enters into transactions with these entities in the normal course of business.

11. Commitments and contingencies:

(a) The total amount required to complete contracted capital assets under construction at December 31, 1993 is estimated to be $3,421 (1992—$3,295).

(b) The Corporation makes use of property which is available through operating leases. The minimum annual lease payments are as follows: 1994—$1,777; 1995—$1,711; 1996—$1,588; 1997—$1,556; 1998—$1,556; and 1999 and future periods—$967.

(c) The Corporation charters vessels to complement its existing fleet. The minimum annual vessel charter payments are as follows: 1994—$2,774; 1995—$2,774; and 1996—$866.

(d) The Corporation entered into a joint venture to provide a vessel for various tours in the Southern Hemisphere. The joint venture agreement states that the parties involved will share in the risks and gains of the venture. At December 31, 1993 the Corporation has recorded its best estimate of the venture's loss, which is reflected in the financial statements.

(e) The Corporation is in receipt of claims estimated at $6,000. Any final determination as to the Corporation's exposure is presently unknown. The financial statements reflect the accrual of management's best estimate of the liability.

(f) The Corporation has incurred expenses during the year to clean up oil which is seeping from land in St.John's, Newfoundland, on which the Corporation is situated. The Corporation is currently undertaking a study to determine the extent of the future clean-up costs, if any. Management is not able to determine the extent of future clean-up costs, if any, that may arise in this regard.

(g) The Corporation's bank has provided letters of guarantee to a French bank totalling $1,261. These guarantees were issued to cover the funds drawn on the French account (see Note 4) and the claims against a Marine Atlantic Inc. charter vessel.

12. Pensions:

The value of the accrued pension benefit for service rendered to December 31, 1993 of $333,553 (1992—$319,334) has been determined by the Corporation's actuaries using best estimate assumptions provided by management based on extrapolation of the results of the December 31, 1991 actuarial valuation.

The actuarial value of pension fund assets as at December 31, 1993 is $356,137 (1992—$295,605) based on calculations from the Corporation's actuaries. On January 19, 1994, the Corporation received approval from the Office of the Superintendent of Financial Institutions to split the pension fund into separate funds for Newfoundland Dockyard Corporation and Marine Atlantic Inc.

13. Comparative figures:

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year.

MONTRÉAL PORT CORPORATION

AUDITORS' REPORT

TO THE HONOURABLE DOUGLAS YOUNG, P.C., M.P.
MINISTER OF TRANSPORT

We have audited the balance sheet of Montréal Port Corporation as at December 31, 1993 and the statements of earnings, contributed capital and retained earnings and changes in financial position for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 1993 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Furthermore, in our opinion, the transactions of the Corporation that have come under our notice in the course of our examination of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, and with the charter and by-laws of the Corporation.

Samson Bélair/Deloitte & Touche
Chartered Accountants

Montréal, Canada
February 4, 1994

BALANCE SHEET
AS AT DECEMBER 31, 1993
(in thousands of dollars)

ASSETS	1993	1992
Current assets		
Cash	606	464
Investments (Note 3)	21,675	17,276
Accounts receivable	11,673	10,710
Materials and supplies	781	871
	34,735	29,321
Investment in a business held for resale		2,636
Long-term investments (Note 3)	27,456	27,317
Fixed assets (Note 4)	162,371	161,404
Deferred costs	636	591
Other assets	1,390	1,617
	226,588	222,886

CURRENT LIABILITIES	1993	1992
Accounts payable and accrued liabilities (Note 5)	6,981	7,682
Grants in lieu of municipal taxes	1,872	2,039
	8,853	9,721
Accrued employee benefits	4,339	3,862
Loans from the Government of Canada (Note 6)	4,111	4,662
	17,303	18,245
EQUITY OF THE GOVERNMENT OF CANADA		
Contributed capital	153,919	158,919
Retained earnings	55,366	45,722
	209,285	204,641
	226,588	222,886

See accompanying notes.

On behalf of the Board:

ANDRÉ GINGRAS
Chairman of the Board

DOMINIC J. TADDEO
President and Chief Executive Officer

MONTRÉAL PORT CORPORATION—*Continued*

STATEMENT OF EARNINGS
FOR THE YEAR ENDED DECEMBER 31, 1993
(in thousands of dollars)

	1993	1992
Revenue from operations	52,395	53,291
Operating and administrative expenses	35,145	37,616
Depreciation of fixed assets	10,762	10,254
Grants in lieu of municipal taxes	4,767	4,571
	50,674	52,441
Earnings from operations	1,721	850
Investment revenue	3,881	4,131
Earnings before the following item	5,602	4,981
Gain on realization of investment in a business held for resale	5,840	
Net earnings	11,442	4,981

See accompanying notes.

STATEMENT OF CONTRIBUTED CAPITAL AND RETAINED EARNINGS
FOR THE YEAR ENDED DECEMBER 31, 1993
(in thousands of dollars)

	1993	1992
Contributed capital		
Balance, beginning of year	158,919	158,919
Special contribution to the Government of Canada	(5,000)	
Balance, end of year	153,919	158,919
Retained earnings		
Balance, beginning of year	45,722	42,064
Net earnings	11,442	4,981
Dividends	(1,798)	(1,323)
Balance, end of year	55,366	45,722

See accompanying notes.

STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED DECEMBER 31, 1993
(in thousands of dollars)

	1993	1992
Operating activities		
Net earnings	11,442	4,981
Items not affecting cash		
Depreciation of fixed assets	10,762	10,254
Amortization of deferred costs	35	20
Loss (profit) on disposal of fixed assets	84	(112)
Increase (decrease) in accrued employee benefits	477	(831)
Gain on realization of investment in a business held for resale	(5,840)	
	16,960	14,312
Changes in non-cash operating working capital items (Note 7)	(1,773)	1,407
	15,187	15,719
Financing activities		
Repayment of current portion of loans from the Government of Canada	(519)	(488)
Dividends paid	(1,798)	(1,323)
Special contribution to the Government of Canada	(5,000)	
	(7,317)	(1,811)
Investing activities		
Decrease in investment in a business held for resale	8,476	900
Increase in long-term investments	(139)	(140)
Acquisition of fixed assets	(11,813)	(9,624)
Disposal of fixed assets		133
Decrease in other assets	227	162
Increase in deferred costs	(80)	(611)
	(3,329)	(9,180)
Net cash inflow	4,541	4,728
Cash position, beginning of year	17,740	13,012
Cash position, end of year	22,281	17,740
Represented by		
Cash	606	464
Short-term investments	21,675	17,276
	22,281	17,740

See accompanying notes.

MONTRÉAL PORT CORPORATION—*Continued*

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1993

1. STATUS AND NATURE OF ACTIVITIES

The Montréal Port Corporation (the Corporation) was incorporated by letters patent in accordance with subsection 6.2(1) of the *Canada Ports Corporation Act* on July 1, 1983.

Under Section 6.5 of the same Act, on the establishment of a local port corporation, all rights, obligations and liabilities of the Canada Ports Corporation in relation to that harbour shall become rights, obligations and liabilities of the local port corporation and the administration of all such property and works within the limits of that harbour administered by the Board shall be deemed to have been transferred to the local port corporation, in this case the Corporation.

2. ACCOUNTING POLICIES

The financial statements have been prepared in accordance with generally accepted accounting principles and include the following significant accounting policies:

Investments

Investments are shown at amortized cost, with premiums or discounts amortized over their periods to maturity.

Materials and supplies

Materials and supplies are valued at the lower of cost and replacement cost. Cost is determined substantially on an average cost basis.

Fixed assets

Fixed assets are recorded at original cost with related accumulated depreciation transferred from Canada Ports Corporation; subsequent acquisitions are recorded at cost.

Depreciation is calculated according to the straight-line method for the full year, commencing in the year the asset becomes operational, using rates based on the estimated useful lives of the assets.

Deferred costs

The deferred costs are composed of costs incurred to deepen the St. Lawrence River from Montréal to Saint-Augustin. These costs are amortized over 20 years.

Pension costs

All permanent employees of the Corporation are covered by the Public Service Superannuation Plan administered by the Government of Canada. Contributions to the plan are required from both the employees and the Corporation. These contributions represent the total liability of the Corporation and are recognized in the accounts on a current basis.

Grants in lieu of municipal taxes

Grants in lieu of municipal taxes are based on estimated municipal assessments adjusted in accordance with the *Municipal Grants Act*. Grants are paid after the amounts have been audited by the Municipal Grants Division of Public Works Canada. Any adjustments upon finalization are reflected in the accounts in the year of settlement.

Employee benefits

The Corporation accrues in its accounts the estimated liabilities for severance pay, annual leave, sick leave and overtime compensatory leave, which are payable to its employees in subsequent years under collective agreements or in accordance with Corporation policy.

3. INVESTMENTS

Funds are invested in direct and guaranteed securities of the Government of Canada. As at December 31, 1993, the market value of the short-term investments is equivalent to their amortized cost, and the market value of long-term investments is $35,556,448 ($32,616,808 in 1992).

MONTRÉAL PORT CORPORATION—*Concluded*

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1993—*Concluded*

4. FIXED ASSETS

	Depreciation rates	Cost	Accumulated depreciation	1993 Net book value	1992 Net book value
	%	(in thousands of dollars)			
Land		49,121		49,121	42,245
Dredging	2.5-10.0	16,178	13,790	2,388	2,673
Berthing structures	2.5-10.0	60,576	44,332	16,244	17,358
Buildings	2.5-10.0	69,985	37,312	32,673	34,124
Utilities	3.3-10.0	19,804	10,609	9,195	9,716
Roads and surface	2.5-10.0	67,914	28,849	39,065	40,854
Machinery and equipment	5.0-33.3	61,539	49,509	12,030	12,694
Office furniture and equipment	20.0-33.3	5,927	4,390	1,537	1,530
		351,044	188,791	162,253	161,194
Projects under construction		118		118	210
		351,162	188,791	162,371	161,404

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	1993	1992
	(in thousands of dollars)	
Current portion of loans from the Government of Canada	551	519
Deferred revenue	334	152
Other	6,096	7,011
	6,981	7,682

6. LOANS FROM THE GOVERNMENT OF CANADA

	1993	1992
	(in thousands of dollars)	
Loans, 6.25%, payable to 2000 in annual instalments of $842,561 including interest	4,662	5,181
Current portion	551	519
	4,111	4,662

Principal repayment requirements over the next five years amount to:

	(in thousands of dollars)
1994	551,187
1995	585,636
1996	622,238
1997	661,128
1998	702,449

7. CHANGES IN NON-CASH OPERATING WORKING CAPITAL ITEMS

	1993	1992
	(in thousands of dollars)	
Accounts receivable	(963)	(840)
Materials and supplies	90	22
Accounts payable and accrued liabilities net of current portion of loans from Government of Canada	(733)	964
Grants in lieu of municipal taxes	(167)	1,261
	(1,773)	1,407

8. CONTINGENCIES

Claims aggregating approximately $3,900,000 in respect of lawsuits, guarantees and damages allegedly suffered on the Corporation property and sundry legal matters in dispute have been made against the Corporation but are not reflected in the accounts. In the opinion of the Corporation, its position is defensible and the final outcome of such claims should not result in any material loss.

9. COMMITMENTS

(a) Contractual obligations for the completion, construction and purchase of property, plant and equipment are estimated at $116,000.

(b) In accordance with a policy concerning payment of dividends to the Canadian government, the Corporation would be required to pay a dividend, in respect of the 1993 fiscal year, based on a method of calculation using net earnings. This dividend, payable before March 31, 1994 would amount to approximately $3,106,600 for 1993 and would be applied against retained earnings.

10. RELATED PARTY TRANSACTIONS

In the ordinary course of business, the Corporation enters into transactions with related parties, including Canada and its agencies and other Crown corporations, and the business held for resale until the date of realization.

The Corporation derives revenue from related parties principally from grain warehousing, switching charges and rental revenue and management fees. The expenses paid to related parties are principally administration fees.

NATIONAL ARTS CENTRE CORPORATION

MANAGEMENT RESPONSIBILITIES

The Board of Trustees, which is responsible for, among other things, the financial statements of the Corporation, delegates to Management the responsibility for the preparation of the financial statements and the annual report. Responsibility for their review is that of the Audit Committee of the Board of Trustees. The financial statements were prepared by Management in accordance with generally accepted accounting principles and include estimates based on Management's experience and judgement. The financial statements have been approved by the Board of Trustees of the Corporation on the recommendation of the Audit Committee. Other financial and operating information appearing in this annual report is consistent with that contained in the financial statements.

Management maintains books and records, financial and management control and information systems designed in such a manner as to provide reasonable assurance that reliable and accurate information is produced on a timely basis and that transactions are in accordance with the *National Arts Centre Act* and By-Laws of the Corporation.

The Board of Trustees of the Corporation is responsible for ensuring that Management fulfills its responsibilities for financial reporting and internal control, and exercises this responsibility through the Audit Committee. The Audit Committee discharges the responsibilities conferred upon it by the Board of Trustees, and meets on a regular basis with Management, and with the Auditor General of Canada, who has unrestricted access to the Committee.

The Auditor General of Canada conducts an independent audit of the financial statements of the Corporation in accordance with generally accepted auditing standards.

Yvon DesRochers
Director General

Ottawa, Canada
October 29, 1993

AUDITOR'S REPORT

TO THE CHAIRMAN OF THE BOARD OF TRUSTEES
NATIONAL ARTS CENTRE CORPORATION

I have audited the balance sheet of the National Arts Centre Corporation as at August 31, 1993 and the statements of operations, equity of Canada and changes in financial position for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at August 31, 1993 and the results of its operations and the changes in its financial position for the year ended in accordance with generally accepted accounting principles.

I wish to draw to your attention that, as described in Note 10 to the financial statements, the Corporation has filed an application with the Canadian Radio-television and Telecommunications Commission for a licence to operate a television network specializing in the performing arts. The Corporation has also incurred expenses to study this broadcasting initiative which would take the form of a satellite to cable service. Legal opinions have been obtained by the Corporation and myself which support and reject respectively the view that the broadcasting initiative is within the objects and powers of the Corporation. Notwithstanding those legal opinions obtained by the Corporation and having considered other relevant factors, I am of the opinion that the activities of, and expenses incurred for, this broadcasting project are beyond the objects and powers of the Corporation.

L. Denis Desautels, FCA
Auditor General of Canada

Ottawa, Canada
October 29, 1993

(except for Note 10 for which the date is January 6, 1994)

NATIONAL ARTS CENTRE CORPORATION—*Continued*

BALANCE SHEET AS AT AUGUST 31, 1993

ASSETS	1993	1992
	$	$
Current		
Cash and short-term investments	2,122,994	2,087,990
Accounts receivable	1,942,485	1,364,735
Parliamentary appropriations receivable (Note 4)	333,165	
Inventories	637,219	604,210
Programmes in progress	881,391	795,723
Prepaid expenses	159,555	305,056
	6,076,809	5,157,714
Capital assets (Note 3)	11,526,389	11,400,958
	17,603,198	16,558,672

LIABILITIES	1993	1992
	$	$
Current		
Accounts payable and accrued liabilities	3,245,187	3,564,588
Deferred revenue	3,477,439	2,608,177
Deferred parliamentary appropriation (Note 4)		225,833
	6,722,626	6,398,598
Long-term portion of provision for employee termination benefits	1,095,445	987,758
	7,818,071	7,386,356
EQUITY OF CANADA		
Equity (Note 5)	9,148,827	8,024,023
Reserve for 25th anniversary (Note 6)	500,000	1,000,000
National Arts Centre Foundation (Note 7)	136,300	148,293
	9,785,127	9,172,316
	17,603,198	16,558,672

Approved by Management:

YVON DESROCHERS
Director General

RICHARD LUSSIER
Managing Director of Operations

Approved by the Board of Trustees:

ROBERT LANDRY
Chairman

MADELEINE PANACCIO
Vice-Chairman

NATIONAL ARTS CENTRE CORPORATION—*Continued*

STATEMENT OF OPERATIONS FOR THE YEAR ENDED AUGUST 31, 1993

	1993	1992
	$	$
Revenue		
Performing arts programmes (Schedule 1)	6,756,091	9,727,804
Commercial services (Schedule 2)	7,627,548	8,328,382
Programme support services	244,088	286,005
Interest revenue	126,176	235,980
National Arts Centre Foundation— Net revenue (Note 7)		18,964
Other	38,944	59,110
	14,792,847	18,656,245
Expenses (Schedule 3)		
Performing arts programmes (Schedule 1)	14,897,554	17,157,838
Commercial services (Schedule 2)	6,074,715	6,601,168
Operation of the buildings	7,989,143	8,011,291
Programme support services	3,883,977	4,555,300
Administrative services	3,348,531	3,271,236
Board of Trustees	74,121	48,954
National Arts Centre Foundation— Net expenses (Note 7)	11,993	
	36,280,034	39,645,787
Excess of expenses over revenue	21,487,187	20,989,542

STATEMENT OF EQUITY OF CANADA FOR THE YEAR ENDED AUGUST 31, 1993

	1993	1992
	$	$
Equity (Note 5)		
Balance at the beginning of year	8,024,023	8,286,362
Parliamentary appropriation (Note 4)	22,099,998	21,746,167
Excess of expenses over revenue	(21,487,187)	(20,989,542)
Transfer from (to) reserve for 25th anniversary	500,000	(1,000,000)
Transfer of net expenses (net revenue) of the National Arts Centre Foundation	11,993	(18,964)
Balance at end of year	9,148,827	8,024,023
Reserve for 25th anniversary (Note 6)		
Balance at end of year	500,000	1,000,000
National Arts Centre Foundation (Note 7)		
Balance at beginning of year	148,293	129,329
Net (expenses) revenue	(11,993)	18,964
Balance at end of year	136,300	148,293

STATEMENT OF CHANGES IN FINANCIAL POSITION FOR THE YEAR ENDED AUGUST 31, 1993

	1993	1992
	$	$
Operating		
Excess of expenses over revenue	(21,487,187)	(20,989,542)
Items not affecting funds		
Amortization	2,520,375	2,388,105
Provision for employee termination benefits	107,687	321,859
Gain on disposal of capital assets		(32,198)
	(18,859,125)	(18,311,776)
(Increase) decrease in non-cash operating working capital	(1,065)	553,740
	(18,860,190)	(17,758,036)
Financing		
Parliamentary appropriation received	21,541,000	19,652,000
Investing		
Additions to capital assets	(2,645,806)	(3,121,568)
Increase (decrease) in cash and short-term investments	35,004	(1,227,604)
Cash and short-term investments at beginning of year	2,087,990	3,315,594
Cash and short-term investments at end of year	2,122,994	2,087,990

NATIONAL ARTS CENTRE CORPORATION—*Continued*

NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 1993

1. Objectives and operations

The objectives of the National Arts Centre Corporation (the "Corporation") are to operate and maintain the National Arts Centre, to develop the performing arts in the National Capital Region, and to assist the Canada Council in the development of the performing arts elsewhere in Canada.

In furtherance of its objectives, the Corporation may arrange for and sponsor performing arts activities at the Centre; encourage and assist in the development of performing arts companies resident at the Centre; arrange for or sponsor radio and television broadcasts and the showing of films in the Centre; provide accommodation at the Centre, on such terms and conditions as the Corporation may fix, for national and local organizations whose objects include the development and encouragement of the performing arts in Canada; and, at the request of the Government of Canada or the Canada Council, arrange for performances elsewhere in Canada by performing arts companies, whether resident or non-resident in Canada, and arrange for performances outside Canada by performing arts companies resident in Canada.

With a view to achieving the objectives, the Government of Canada has leased without charge the National Arts Centre building complex to the Corporation for a period expiring May 31, 1994. The Corporation is responsible for the operation and maintenance of the building.

2. Significant accounting policies

(a) Short-term investments

Short-term investments are valued at the lower of cost and market value.

(b) Inventories

Inventories are valued at the lower of cost and net realizable value for supplies or replacement cost for production materials, food and beverages.

(c) Programmes in progress

Direct costs, including advances to performing companies and artists, incurred prior to the end of the year for programmes in progress are deferred and charged to expenses in the year in which the programmes terminate. Indirect costs and common services not attributable to particular performances are charged to expenses in the year in which they are incurred.

(d) Capital assets

Capital assets other than the National Arts Centre complex are recorded at cost. Amortization is calculated on the straight-line method as follows:

Building—l'Atelier	20 years
Equipment	5 and 7 years
Leasehold improvements	10 years

No amortization is taken on the National Arts Centre building complex.

(e) Deferred revenue

Revenue from tickets sold prior to the end of the year for programmes in progress and revenue for hall rentals are deferred and credited to revenue in the year in which the programmes terminate. Revenue from gift certificates and exchange vouchers is deferred until the certificates and vouchers are redeemed. Gift certificates and exchange vouchers not redeemed within three years of the year of their issuance and a percentage of those less than three years old are credited to revenue.

(f) Operating expenses

Expenses relating to performing arts programmes and commercial services do not include costs relating to building and equipment maintenance, utilities and administrative services.

(g) Pension plan

Employees of the Corporation participate in the Public Service Superannuation Plan, administered by the Government of Canada. Contributions to the Plan are required by both the employees and the Corporation on an equal basis. The Corporation's contributions represent the Corporation's total obligation and are recorded as they become due.

The Corporation is not required under present legislation to make contributions with respect to employees for actuarial deficiencies of the Public Service Superannuation Account.

(h) Employee termination benefits

Employees of the Corporation are entitled to specified benefits on termination as provided for under their respective contracts and conditions of employment. The liability for these benefits is recorded as the benefits accrue to the employees.

(i) Parliamentary appropriation

The Corporation credits to equity each month one-twelfth of the approved appropriation. The parliamentary appropriation approved for the period from April 1 to August 31, is in respect of the Government of Canada's fiscal year ending on March 31 of the following year. Accordingly, the portion of the amount received to August 31, which is in excess of 5/12ths of the appropriation, is deferred to the following year. Similarly, the portion of the amount received to August 31, which is less than 5/12ths of the appropriation, is recorded as a receivable.

NATIONAL ARTS CENTRE CORPORATION—*Continued*

NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 1993—*Continued*

3. Capital assets

	1993			1992
	Cost	Accumulated amortization	Net book value	Net book value
	$	$	$	$
Land	90,000		90,000	90,000
Building—l'Atelier	298,069	178,203	119,866	134,770
Equipment	5,549,660	3,912,058	1,637,602	1,682,642
Leasehold improvements	22,740,691	13,061,770	9,678,921	9,493,546
	28,678,420	17,152,031	11,526,389	11,400,958

4. Parliamentary appropriation receivable (deferred)

	1993	1992
	$	$
Balance at beginning of year	(225,833)	(2,320,000)
Credited to equity		
Operations	20,099,583	19,729,500
Major repairs and improvements	2,000,415	2,016,667
	22,099,998	21,746,167
Received during the year	(21,541,000)	(19,652,000)
Balance at end of year	333,165	(225,833)

A portion of the Parliamentary appropriation is for the financing of major repairs and improvements to the National Arts Centre buildings. The relevant amounts are based on the operational plan approved by Treasury Board. The balance used in advance, detailed hereunder, represents urgent repairs and improvements to the building. These expenditures will be funded from future Parliamentary appropriations and the Corporation's five-year plan for major capital projects provides for a balanced financial position by the end of the 1994-95 fiscal year.

	1993	1992
	$	$
Balance at beginning of year	(550,803)	133,058
Credited to equity	2,000,415	2,016,667
Interest revenue	25,323	86,173
Major repairs and improvements		
Leasehold improvements	(2,010,276)	(2,404,323)
Repairs	(599,617)	(382,378)
Balance at end of year	(1,134,958)	(550,803)

5. Equity

The equity comprises the following:

	1993	1992
	$	$
Equity funded by the portion of the Parliamentary appropriation allocated for major repairs and improvements to the National Arts Centre buildings	7,736,403	7,945,858
Remaining balance	1,412,424	78,165
Equity	9,148,827	8,024,023

6. Reserve for 25th anniversary

The Board of Trustees approved the designation of a reserve of one million dollars out of the equity at August 31, 1992, for the purpose of celebrating the National Arts Centre's 25th anniversary in 1993-94. These funds will be used not only for celebrations at the NAC but mainly for the betterment of the performing arts across Canada in the spirit of reaching out to all Canadians. The Board of Trustees approved a reduction of this reserve to $500,000 as of August 31, 1993.

7. National Arts Centre Foundation

In 1992, the Board of Trustees established the National Arts Centre Foundation for the purpose of recognizing, stimulating and promoting excellence in the creation and performance of the arts of the stage by the award of bursaries and prizes to worthy recipients and by grants for worthy projects.

A summary of the transactions related to the National Arts Centre Foundation is provided below:

	1993	1992
	$	$
Balance at the beginning of year	148,293	129,329
Donations	13,789	24,956
Interest revenue	7,240	6,684
Awards, sponsorship and promotion	(31,100)	
Other expenses	(1,922)	(12,676)
Net (expenses) revenue	(11,993)	18,964
Balance at end of year	136,300	148,293

8. Related party transactions

In addition to transactions outlined in Note 4, the Corporation is related in terms of common ownership to all Government of Canada created departments, agencies and Crown corporations.

During the year, transactions with these related entities were in the normal course of business on normal trade terms applicable to all individuals and enterprises.

9. Contingencies

The Corporation is the claimant or defendant in certain pending claims and lawsuits. In management's opinion, the outcome of these actions is not likely to result in any material liabilities.

NATIONAL ARTS CENTRE CORPORATION—*Concluded*

NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 1993—*Concluded*

10. Subsequent event

On September 15, 1993, the Corporation filed an application with the Canadian Radio-television and Telecommunications Commission (CRTC) for a licence to operate a network specializing in the performing arts. It is anticipated that the CRTC will grant licences in 1994 with broadcast operations commencing in January 1995.

This network would consist of an English and a French channel and would be operated by a subsidiary entirely owned by the National Arts Centre which has been incorporated under the *Canada Business Corporations Act*. This subsidiary would have its own Board of Directors which would be named by the National Arts Centre.

The Arts Network/Le Réseau des Arts would be self-financed by cablevision subscription fees.

11. Comparative figures

Certain of the 1992 figures have been reclassified to conform to the 1993 presentation.

SCHEDULE OF REVENUE AND EXPENSES—
PERFORMING ARTS PROGRAMMES
FOR THE YEAR ENDED AUGUST 31, 1993 — SCHEDULE 1

	1993	1992
	$	$
Revenue		
Music	2,051,401	1,918,936
Theatre	1,538,935	1,497,824
Dance	1,434,915	1,487,942
Rental of Halls	1,412,354	3,968,980
Variety	160,579	487,801
Television	133,015	30,904
Special Events	24,892	335,417
	6,756,091	9,727,804
Expenses		
Music	6,137,244	6,435,119
Theatre	4,099,252	4,368,983
Dance	2,537,926	2,484,298
Rental of Halls	741,716	1,998,832
Variety	224,067	578,243
Television	1,036,782	714,435
Special Events	120,567	577,928
	14,897,554	17,157,838
Excess of expenses over revenue	8,141,463	7,430,034

SCHEDULE OF REVENUE AND EXPENSES—
COMMERCIAL SERVICES
FOR THE YEAR ENDED AUGUST 31, 1993 — SCHEDULE 2

	1993	1992
	$	$
Revenue		
Restaurants	5,866,325	6,323,968
Garage	1,761,223	2,004,414
	7,627,548	8,328,382
Expenses		
Restaurants	5,565,277	6,071,022
Garage	509,438	530,146
	6,074,715	6,601,168
Excess of revenue over expenses	1,552,833	1,727,214

SCHEDULE OF EXPENSES BY CATEGORY
FOR THE YEAR ENDED AUGUST 31, 1993 — SCHEDULE 3

	1993	1992
	$	$
Salaries, wages and employee benefits	14,302,741	16,345,875
Performers' fees and expenses	7,615,885	8,389,373
Amortization	2,520,375	2,388,105
Advertising and promotion	2,235,754	2,047,777
Cost of sales—Commercial services	1,986,719	2,218,569
Repairs and maintenance	1,933,181	2,095,582
Utilities	1,519,194	1,340,599
Co-production expenses	1,084,826	1,124,945
Professional fees and expenses	677,425	636,808
Production expenses	641,687	623,254
Office expenses	519,780	606,780
Commissions and service charges	316,755	425,831
Travel and duty entertainment	277,373	278,366
Supplies and expenses—Commercial services	214,134	303,827
Furniture and equipment	124,929	178,897
Telecommunications	118,349	131,001
Insurance	66,238	118,856
Warehouse rent	45,612	97,535
Other	79,077	293,807
	36,280,034	39,645,787

NATIONAL CAPITAL COMMISSION

MANAGEMENT RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements of the National Capital Commission are the responsibility of management and have been approved by the members of the Commission. These financial statements have been prepared by management in accordance with generally accepted accounting principles and, where appropriate, they include amounts that have been estimated according to management's best judgement.

Management has developed and maintains books of account, records, financial and management controls and information systems. These are designed to provide reasonable assurance that the Commission's assets are safeguarded and controlled, that resources are managed economically and efficiently in the attainment of corporate objectives, and that transactions are in accordance with Part X of the *Financial Administration Act* and regulations, the *National Capital Act* and the by-laws of the Commission. Internal audits are conducted to assess the performance of information systems and management controls and practices.

The Commission's external auditor, the Auditor General of Canada, has audited the financial statements and has reported on his audit to the Commission and to the Minister of Canadian Heritage.

The members of the Commission carry out their responsibilities for the financial statements principally through the Corporate Audit and Evaluation Committee, which consists of members of the Commission only. The Corporate Audit and Evaluation Committee meets periodically with management, as well as with the internal and external auditors to discuss the results of the audit examinations with respect to the adequacy of internal accounting controls and to review and discuss financial reporting matters. The external and internal auditors have full access to the Corporate Audit and Evaluation Committee, with and without the presence of management.

Marcel Beaudry
Chairman

Robin Young
Vice-President, Strategic Planning and
Information Management

June 14, 1994

AUDITOR'S REPORT

TO THE MINISTER DESIGNATE OF CANADIAN HERITAGE

I have audited the balance sheet of the National Capital Commission as at March 31, 1994, and the statements of operations, equity and changes in cash resources for the year then ended. These financial statements are the responsibility of the Commission's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Commission as at March 31, 1994, and the results of its operations and the changes in its cash resources for the year then ended in accordance with generally accepted accounting principles. As required by the *Financial Administration Act*, I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Commission that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *National Capital Act* and the by-laws of the Commission.

L. Denis Desautels, FCA
Auditor General of Canada

Ottawa, Canada
June 3, 1994

NATIONAL CAPITAL COMMISSION—*Continued*

BALANCE SHEET AS AT MARCH 31, 1994
(in thousands of dollars)

ASSETS	1994	1993
Current		
Cash and short-term deposits (Note 3)	19,929	16,073
Accounts receivable		
Federal Government departments and agencies	1,931	3,882
Tenants and others	3,275	2,630
Operating supplies, small tools and nursery stock	566	832
Prepaid expenses	1,690	2,884
	27,391	26,301
Cash restricted as to use (Note 4)	4,068	
Land, buildings and equipment (Note 5)	338,392	336,219
	369,851	362,520

LIABILITIES	1994	1993
Current		
Accounts payable and accrued liabilities	27,695	24,739
Holdbacks and deposits from contractors and others	1,020	819
	28,715	25,558
Long-term		
Accrued employee termination benefits	6,378	6,135
Unsettled expropriations of property	694	676
Deferred insurance proceeds (Note 4)	4,068	
	11,140	6,811
EQUITY OF CANADA	329,996	330,151
	369,851	362,520

Major commitments and contingencies (Notes 7 and 8)

Approved by the Commission

MARCEL BEAUDRY
Chairman

ANDRÉ J.C. DUPONT
Chairman, Corporate Audit and Evaluation Committee

NATIONAL CAPITAL COMMISSION—*Continued*

STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 1994
(in thousands of dollars)

	1994	1993
Income		
Rental operations and easements	12,046	12,388
Interest	868	1,370
Net gain on disposal of land, buildings and equipment	3,881	4,924
Sponsorship (excluding goods and services in kind)	593	815
User access fees	966	660
Other fees and recoveries	3,249	3,840
Parliamentary appropriations	76,818	83,242
	98,421	107,239
Cost of Operations (Note 6)		
Planning the National Capital Region	3,287	4,132
Promoting and Animating the National Capital Region	15,277	19,139
Real Asset Management and Development	66,545	69,365
Corporate Services	26,150	27,296
	111,259	119,932
Net Cost of Operations[1]	(12,838)	(12,693)

[1] ANALYSIS OF FUNDING THE COST OF OPERATIONS

	1994	1993
Net cost of operations	(12,838)	(12,693)
Amortization (an expense not requiring funding)	13,646	13,617
Net gain on disposal of land, buildings and equipment	(3,881)	(4,924)
Transfer from disposal of land (Note 3 (c) (iii))	1,591	1,358
—Disposal expenses	416	453
—Interest revenue	(210)	(203)
Prior year carry-over (Commitments)	(1,768)	624
Excess of cost of operations over funding	(3,044)	(1,768)

STATEMENT OF EQUITY
FOR THE YEAR ENDED MARCH 31, 1994
(in thousands of dollars)

	1994	1993
Balance at Beginning of Year	330,151	336,349
Net cost of operations	(12,838)	(12,693)
Parliamentary appropriations to acquire and improve land, buildings and equipment	12,683	6,495
Balance at End of Year	329,996	330,151

STATEMENT OF CHANGES IN CASH RESOURCES
FOR THE YEAR ENDED MARCH 31, 1994
(in thousands of dollars)

	1994	1993
Operating Activities		
Net cost of operations	(12,838)	(12,693)
Items not involving cash		
Amortization	13,646	13,617
Net gain on disposal of land, buildings and equipment	(3,881)	(4,924)
Net change in non-cash working capital balances related to operations	5,923	8,527
Net change in cash restricted as to use and long-term liabilities	261	243
	3,111	4,770
Investing Activities		
Acquisitions and improvements to land, buildings and equipment	(16,496)	(16,595)
Financing Activities		
Parliamentary appropriations to acquire and improve land, buildings and equipment	12,683	6,495
Proceeds on disposal of land, buildings and equipment	4,558	6,488
	17,241	12,983
Increase in cash and short-term deposits	3,856	1,158
Beginning of year	16,073	14,915
End of year	19,929	16,073

NATIONAL CAPITAL COMMISSION—*Continued*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1994

1. AUTHORITY AND OBJECTIVES

The National Capital Commission was established in 1958 by the *National Capital Act*. The Commission is an agent Crown corporation without share capital named in Part I of Schedule III to the *Financial Administration Act*. The objects and purposes of the Commission are stated in the *National Capital Act* as amended in 1988. They are to:

(a) prepare plans for and assist in the development, conservation and improvement of the National Capital Region in order that the nature and character of the seat of the Government of Canada may be in accordance with its national significance; and

(b) organize, sponsor or promote such public activities and events in the National Capital Region as will enrich the cultural and social fabric of Canada, taking into account the federal character of Canada, the equality of status of the official languages of Canada and the heritage of the people of Canada.

The powers of the Commission as they were extended in 1988 also enable the Commission to "coordinate the policies and programs of the Government of Canada respecting the organization, sponsorship or promotion by departments of public activities and events related to the National Capital Region."

The Commission is also responsible for the management and maintenance of the Official Residences located in the National Capital Region.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Land, Buildings and Equipment

Land, buildings and equipment are generally recorded at historical cost. Property acquired at nominal cost or by donation is recorded at market value at time of acquisition except for properties of historical significance whose market value cannot be reasonably determined. These are recorded at nominal value. Artifacts donated to the Canadiana Fund are recorded at nominal value. Property acquired by exchange is recorded at the carrying value of the assets disposed of in the transaction. Improvements that extend the useful life of buildings and equipment are recorded at cost.

(b) Amortization

Amortization of assets in use is charged to operations in equal annual amounts based on the cost of the assets, their estimated useful life and their final salvage value. Useful life of assets is estimated as follows:

Buildings	20 years
Parkways, roadways and bridges	25 years
Park landscaping and improvement	25 years
Machinery and equipment	10 years
Office furniture and equipment	5 years
Vehicles	5 years
Antiques and works of art	10 years
Computer and communications equipment	5 years

(c) Operating Supplies, Small Tools and Nursery Stock

Operating supplies and small tools are carried at cost. Nursery stock is valued at estimated cost.

(d) Pension Plan

Commission employees are covered by the Public Service Superannuation Plan administered by the Government of Canada. The Commission's contributions to the plan are limited to an amount equal to the employees' contributions on account of current and certain past service. These contributions represent the total pension obligations of the Commission and are charged to operations on a current basis. The Commission is not required under present legislation to make contributions with respect to actuarial deficiencies of the Public Service Superannuation Account.

(e) Employee Termination Benefits

Severance pay generally accrues to employees over their service period, and is payable on their separation or retirement. The liability for these benefits is recorded in the accounts as the benefits accrue to the employees.

(f) Parliamentary Appropriations

Parliamentary appropriations for operating expenditures, grants and contributions to other levels of government and other authorities are included as income. Parliamentary appropriations to acquire and improve land, buildings and equipment are credited to equity of Canada.

NATIONAL CAPITAL COMMISSION—*Continued*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1994—*Continued*

(g) Workers' Compensation

The Commission assumes all risks for workers' compensation claims. The costs of claims resulting from injuries on duty are recorded in the years when compensation payments are due.

(h) Sponsorship

The Commission enhances programming through financial, promotional and in-kind contributions from sponsors. Except for cash, no value is included in the financial statements for goods and services contributed by sponsors.

3. CASH AND SHORT-TERM DEPOSITS

Cash and short-term deposits at year-end amounted to $19.9 million. Included in this cash balance are:

(a) Cash donations received for the Canadiana Fund in the amount of $71.0 thousand;

(b) Cash contribution for the rehabilitation of the Ottawa River Parkway in the amount of $1.9 million.

(c) Funds, that are restricted, in the amount of $8,045 thousand, as follows:

(i) Funds relating to a 1990 long-term lease transaction that, pursuant to Governor in Council authority, have been restricted for the acquisition of environmentally sensitive lands;

(ii) funds generated by the disposal of surplus properties that may be used to acquire real property or to support other major programs, as may be authorized by Treasury Board and Governor in Council;

(iii) details of transactions are highlighted in the following analysis.

	Environmentally sensitive lands	Others	Total
	(in thousands of dollars)		
Cash available at beginning of year	1,729	1,794	3,523
Proceeds on disposal		4,382	4,382
Acquisition/Disposal expenses		(416)	(416)
Interest	43	167	210
Acquisitions		(120)	(120)
Transfer from capital budget		2,057	2,057
Transfer to operating budget		(1,591)	(1,591)
Cash available at end of year	1,772	6,273	8,045

4. CASH RESTRICTED AS TO USE

The Commission has segregated funds received in respect of a claim for damages arising from injuries sustained in an accident by an NCC employee. These funds have been paid to the Commission as it will be responsible to pay the continuing cost relating to this claim settlement.

5. LAND, BUILDINGS AND EQUIPMENT

	1994			1993
	Historical cost	Accumulated amortization	Net book value	Net book value
	(in thousands of dollars)			
Land and Buildings				
Greenbelt	66,846	19,155	47,691	48,208
Gatineau Park	40,526	7,338	33,188	27,908
Parkways	101,528	44,829	56,699	57,173
Parks	31,388	15,515	15,873	15,794
Bridges and approaches	30,670	18,197	12,473	11,933
Historical sites	32,576	16,461	16,115	16,733
Recreational facilities	23,122	12,101	11,021	11,239
Rental properties	123,378	13,067	110,311	111,035
Development properties	24,608	3,038	21,570	21,734
Unsettled expropriations	694		694	676
Administrative and service buildings	16,359	10,029	6,330	6,655
	491,695	159,730	331,965	329,088
Less: provision for transfers[1]	1,838		1,838	1,838
Less: provision for environmental cleanup[2]	650		650	650
	489,207	159,730	329,477	326,600
Equipment				
Machinery and equipment	4,633	2,590	2,043	2,860
Office furniture and equipment	1,868	1,733	135	640
Vehicles	4,761	2,829	1,932	1,824
Computer and communications equipment	13,414	8,942	4,472	3,955
Antiques and works of art	1,689	1,356	333	340
	26,365	17,450	8,915	9,619
	515,572	177,180	338,392	336,219

[1] Provision for transfers pertains to property to be transferred in accordance with agreements with the Province of Quebec. This includes lands to be given free of charge for the approaches to the MacDonald-Cartier Bridge and the transfer for $1 of lands to be used as a right-of-way for Highway 550.

[2] Provision for environmental clean-up at Camp Fortune, a prior year property acquisition.

NATIONAL CAPITAL COMMISSION—*Continued*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1994—*Continued*

6. COST OF OPERATIONS

(a) Summary of Expenses by Major Classification

	1994	1993
	(in thousands of dollars)	
Salaries and employee benefits	51,889	53,184
Goods and services	29,032	33,926
Grants in lieu of municipal taxes	12,972	12,988
Contributions	3,720	6,217
Amortization	13,646	13,617
	111,259	119,932

(b) Sector Definitions and Objectives

The Commission uses four sectors to structure its activities. Short-, medium- and long-term objectives linked to the mandate and mission have been developed for each. The following are the long-term objectives established for each sector:

Planning the National Capital Region

To plan for and control the use of federal lands in the National Capital Region (NCR), which includes coordinating and ensuring high quality design and development.

Promoting and Animating the National Capital Region

To increase awareness of the Capital outside the NCR through national marketing plans and activities which increase understanding about the Capital and its symbolic role, and to provide opportunities to bring Canadians together in the Capital and increase their understanding, via coordination of the visitor experience, celebrations and special events, and programs that present the past, present and future of the country.

Real Asset Management and Development

To safeguard and preserve the Capital and its assets for future generations via the development and efficient, effective management of assets in accordance with their importance to the Capital and the Commission mandate.

Corporate Services

To provide management with required services, advice and information, ensure Commission assets are safeguarded, and ensure measures are in place that promote the most efficient, productive use of resources.

7. MAJOR COMMITMENTS

(a) The Commission is committed to contribute to the Province of Quebec, one-half of the cost of a road network within the Quebec portion of the National Capital Region. The Commission's remaining commitment to be paid over future years is estimated at $87.5 million but is payable only when funding is approved by the Treasury Board of Canada. As of March 31, 1994, expenditures total $166.3 million and payments have totalled $160.8 million.

(b) The Commission has entered into agreements for computing services, leases of equipment and operating leases for office accommodations. The agreements, showing different termination dates with the latest ending in 2019, total $125.8 million. Minimum annual payments under these agreements for the next five years are approximately as follows:

	(in thousands of dollars)
1994-95	3,579
1995-96	3,966
1996-97	3,966
1997-98	3,966
1998-99	3,966
	19,443

(c) The Province of Quebec has expropriated certain lands in the Ville de Hull on behalf of the Commission. An amount of $1.25 million will be payable in exchange for appropriate title documents.

(d) The Commission has entered into contracts for capital expenditures estimated to cost approximately $1.4 million. Payments under these contracts are expected to be made in 1994-95.

8. CONTINGENCIES

(a) Claims

Claims have been made against the Commission totalling approximately $26.4 million for alleged damages and other matters. The final outcome of these claims is not determinable and accordingly these items are not recorded in the accounts. In the opinion of management, the position of the Commission is defensible. Settlements, if any, resulting from the resolution of these claims will be accounted for in the year in which the liability is determined.

(b) Agreement with the Province of Ontario

In 1961, the Commission entered into an agreement whereby the Province of Ontario established and maintains 2,761 hectares (6,820 acres) of forest. When the agreement expires in 2011, or is terminated, the Commission will reimburse the Province for the excess of expenses over revenues, or the Province will pay the Commission the excess of revenues over expenses. As per the latest report from the Province, at March 31, 1993, cumulative expenses exceeded cumulative revenues by $1.2 million, and are not reflected in the accounts of the Commission.

(c) Environmental Protection

The Commission has conducted a preliminary analysis that has identified certain properties that qualify for potential decontamination. The extent of the contamination, cost of clean-up and funding requirements cannot be reasonably assessed until further on-site testing is completed.

NATIONAL CAPITAL COMMISSION—*Concluded*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1994—*Concluded*

9. RELATED PARTY TRANSACTIONS

The Commission is related in terms of common ownership to all Government of Canada created departments, agencies and Crown corporations and is mainly financed by the Parliament of Canada. In addition to the related party transactions described below and those disclosed elsewhere in these financial statements, the Commission also enters into transactions with Crown entities in the normal course of business.

(a) Canada Museums Construction Corporation Inc.

The Commission permitted the Canada Museums Construction Corporation Inc. to construct the Canadian Museum of Civilization on Commission lands. The Commission is in the process of transferring the lands in question to Public Works and Government Services Canada in exchange for other properties of equal value.

(b) Public Works and Government Services Canada

Public Works and Government Services Canada acts as an agent for the Commission with respect to expropriation of properties. Fees charged are based on standard rates set by Public Works and Government Services Canada. The Commission has also entered into an agreement with Public Works and Government Services Canada whereby the latter will, with respect to the Official Residences, provide certain property services at rates established with the Commission and approved by Treasury Board.

NATIONAL GALLERY OF CANADA

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements of the National Gallery of Canada (the Gallery) and all information in this annual report are the responsibility of management. The financial statements include some amounts that are necessarily based on management's estimates and judgment.

The financial statements have been prepared in accordance with generally accepted accounting principles. Financial information presented elsewhere in the annual report is consistent with that contained in the financial statements.

In discharging its responsibility for the integrity and fairness of the financial statements, management maintains financial and management control systems and practices designed to provide reasonable assurance that transactions are authorized, assets are safeguarded, proper records are maintained and transactions are in accordance with Part X of the *Financial Administration Act* and regulations, the *Museums Act*, and the by-laws of the Gallery.

The Board of Trustees is responsible for ensuring that management fulfils its responsibilities for maintaining adequate control systems and the quality of financial reporting. The Audit and Evaluation Committee of the Board of Trustees meets regularly with management and internal and external auditors to discuss auditing, internal controls and other relevant financial matters. The Committee reviews the financial statements and presents its recommendation to the Board of Trustees. The Board of Trustees approves the financial statements.

The external auditor, the Auditor General of Canada, is responsible for auditing the financial statements and for issuing his report thereon to the Minister responsible.

Dr. Shirley L. Thomson
Director

Yves Dagenais
Deputy Director

AUDITOR'S REPORT

TO THE MINISTER DESIGNATE OF CANADIAN HERITAGE

I have audited the balance sheet of the National Gallery of Canada as at March 31, 1994 and the statements of operations, equity of Canada and changes in financial position for the year then ended. These financial statements are the responsibility of the Gallery's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Gallery as at March 31, 1994 and the results of its operations and changes in its financial position for the year then ended in accordance with generally accepted accounting principles. As required by the *Financial Administration Act*, I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Gallery that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Museums Act* and the by-laws of the Gallery.

Raymond Dubois, FCA
Deputy Auditor General
for the Auditor General of Canada

Ottawa, Canada
June 8, 1994

NATIONAL GALLERY OF CANADA—*Continued*

BALANCE SHEET AS AT MARCH 31, 1994
(in thousands of dollars)

ASSETS	1994	1993
Current		
Cash, short-term investments and deposit with Receiver General for Canada	6,395	6,173
Accounts receivable	637	854
Inventories	1,553	1,484
Prepaid expenses	70	77
	8,655	8,588
Collections	1	1
Long-term receivable—Trust account	362	347
Capital assets (Note 3)	8,382	9,446
	17,400	18,382

LIABILITIES	1994	1993
Current		
Accounts payable and accrued liabilities (Note 4)	5,024	5,481
Special purpose account (Note 5)	219	11
	5,243	5,492
Accrued employee termination benefits	1,187	1,176
Trust Accounts (Note 6)	2,499	2,302
EQUITY		
Equity of Canada (Note 7)	8,471	9,412
	17,400	18,382

Approved by the Board of Trustees:

JEAN-CLAUDE DELORME
President

RUTH FREIMAN
Vice-President

NATIONAL GALLERY OF CANADA—*Continued*

STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 1994
(in thousands of dollars)

	1994	1993
Expenses		
Collect	7,972	8,059
Educate and Communicate	12,897	12,407
Accommodate	7,530	7,853
Administer	4,485	4,258
Total expenses (Schedule)	32,884	32,577
Revenue		
Bookstore and publishing	1,768	1,644
Admissions	396	420
Parking	391	340
Other	681	409
Total revenue	3,236	2,813
Net cost of operations	29,648	29,764

STATEMENT OF EQUITY OF CANADA
FOR THE YEAR ENDED MARCH 31, 1994
(in thousands of dollars)

	1994	1993
Balance at beginning of year	9,412	9,886
Parliamentary appropriations		
—Operating and capital expenditure	25,857	25,884
—Works of art for the collections (Note 5)	2,850	3,406
Net cost of operations	(29,648)	(29,764)
Balance at end of year	8,471	9,412

STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED MARCH 31, 1994
(in thousands of dollars)

	1994	1993
Operating activities:		
Net cost of operations	(29,648)	(29,764)
Items not affecting funds		
Amortization	1,733	1,963
Employee termination benefits	11	92
Loss on disposal of capital assets	36	30
	(27,868)	(27,679)
Increase in non-cash working capital components	(94)	(1,672)
Increase (decrease) in trust accounts	197	(642)
Funds applied to operating activities	(27,765)	(29,993)
Investing activities:		
Increase in long-term receivable—Trust account	(15)	(347)
Purchase of capital assets	(709)	(1,467)
Proceeds from disposal of capital assets	4	22
Funds applied to investing activities	(720)	(1,792)
Financing activities:		
Parliamentary appropriations		
—Operating and capital expenditure	25,857	25,884
—Works of art for the collections	2,850	3,406
Funds provided by financing activities	28,707	29,290
Increase (decrease) in funds during the year	222	(2,495)
Cash, short-term investments and deposit with the Receiver General for Canada at beginning of year	6,173	8,668
Cash, short-term investments and deposit with the Receiver General for Canada at end of year	6,395	6,173

NATIONAL GALLERY OF CANADA—*Continued*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1994

1. Authority, Objective and Activities

The National Gallery of Canada (the Gallery) was established on July 1, 1990 by the *Museums Act* as a Crown corporation under Part I of Schedule III to the *Financial Administration Act*.

The Gallery's mandate as stated in the *Museums Act* is to develop, maintain and make known throughout Canada and internationally, a collection of works of art, both historic and contemporary, with special but not exclusive reference to Canada, and to further knowledge, understanding and enjoyment of art in general among all Canadians. The Gallery's operations comprise the National Gallery of Canada and its affiliate the Canadian Museum of Contemporary Photography (CMCP).

The National Gallery's operations are divided into four mutually supportive activities which work together to meet all aspects of its mandate. These activities are:

Collect

To acquire, preserve, research and record historic and contemporary works of art, both national and international, to represent Canada's visual arts heritage and to use in its programs.

Educate and Communicate

To further knowledge, understanding and enjoyment of the visual arts among all Canadians and to make the collections known both in Canada and abroad.

Accommodate

To provide a secure and suitable facility for the preservation and exhibition of the national collections of visual arts that is readily accessible to the public.

Administer

To provide direction, control and effective development and administration of resources.

2. Significant Accounting Policies

These financial statements have been prepared in accordance with generally accepted accounting principles. The significant accounting policies are:

(a) Inventories

Inventories are valued at the lower of cost or market value. The market value of books and pamphlets is determined by the lower of the retail price and the net value. The net value is represented by the cost, which is written down on a straight-line basis over a five-year period to take into account obsolescence. All other stock items have a market value representing their retail price.

(b) Capital Assets

Capital assets are recorded at cost and amortized using the straight-line method over their estimated useful lives as follows:

Equipment and furniture	5 to 12 years
Leasehold improvements	25 years
Vehicles	5 years

Expenses related to the design and development of exhibits are charged to operations in the year in which they occur.

The cost of the buildings occupied by the Gallery is not shown in the financial statements. The buildings are owned and maintained by the Government of Canada.

(c) Collections

The Gallery holds collections of works of art for the benefit of Canadians, present and future. The collections are shown as an asset at a nominal value of $1,000 on the balance sheet to ensure that the reader is aware of their existence. Works of art purchased for the collections of the Gallery are, in the year of acquisition, recorded as an expense or accounted for in the trust account depending on the source of funds. Works of art donated to the Gallery are not recorded in the books of accounts.

(d) Pension Plan

The employees of the Gallery participate in the Public Service Superannuation Plan administered by the Government of Canada. The employees and the Gallery contribute equally to the cost of the Plan. This contribution represents the total liability of the Gallery. Contributions in respect of current service are expended during the year in which services are rendered. Admissible past service contributions are expended when paid. The terms of payment are set by the applicable purchase conditions.

The Gallery is not required under present legislation to make contributions with respect to actuarial deficiencies of the Public Service Superannuation Account.

(e) Employee Termination Benefits

On termination of employment, employees of the Gallery are entitled to certain benefits provided for under their collective agreement and their conditions of employment. The cost of these benefits is expended in the year in which they are earned.

(f) Trust Accounts

The Gallery accounts for receipts such as donations, gifts or bequests for both restricted and unrestricted purposes as trust accounts. Expenditures relating to these funds are charged against the relevant portion of the trust accounts in the year they are made. Transactions in the trust accounts are not recorded in the statements of operations.

(g) Parliamentary Appropriations

The Parliamentary appropriations for operating and capital expenditures and the purchase of works of art are recorded in the year to which they apply, and are credited to the Equity of Canada.

(h) Bookstore and Publishing

Expenses for the bookstore and publishing, including costs relating to personnel, travel, transportation and advertising are included in operating expenses.

NATIONAL GALLERY OF CANADA—*Continued*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1994—*Continued*

3. Capital Assets

	1994			1993
	Cost	Accumulated amortization	Net book value	Net book value
	(in thousands of dollars)			
Equipment and furniture ...	10,837	7,469	3,368	4,512
Leasehold improvements ...	5,487	500	4,987	4,889
Vehicles ...	170	143	27	45
	16,494	8,112	8,382	9,446

4. Accounts Payable and Accrued Liabilities

	1994	1993
	(in thousands of dollars)	
Trade ...	2,532	3,476
Due to Government departments and Crown corporations ...	1,208	1,113
Accrued salaries and vacation pay ...	1,158	730
Others ...	126	162
	5,024	5,481

5. Special Purpose Account—Purchase of works of art for the collections

In 1993-94, Parliament approved a $3,000,000 payment (1992-93—$3,000,000) to the Gallery for the purchase of works of art for the collections. The Gallery established a non-lapsing special purpose account. The balance at the end of a year is available for purchases in subsequent years. This provides the means to acquire, when opportunities arise, historically important, unique and high quality works that strengthen the collections.

	1994	1993
	(in thousands of dollars)	
Balance at beginning of year ...	11	417
Parliamentary appropriation ...	3,000	3,000
Interest ...	58	
Total available ...	3,069	3,417
Purchase of objects for the collections of the Gallery (Note 9) ...	2,850	3,406
Balance at end of year ...	219	11

6. Trust Accounts

The Gallery maintains various trust accounts under two separate funds. These funds are normally for the development of exhibitions, purchases of works of art and for the development of a specific activity. The balance of the funds is principally made up of the "Director's Trust" which was set up pursuant to a Board of Trustees resolution. Under the terms of this resolution the Director can use these funds to further the Gallery's mandate.

The following summarizes the transactions for the year:

	1994	1993
	(in thousands of dollars)	
Balance at beginning of year ...	2,302	2,944
Revenue for the year		
Interest ...	139	190
Gifts and bequests ...	167	447
Total revenue ...	306	637
Expenditure for the year		
Purchase of works of art for the collections (Note 9) ...	99	1,279
Other ...	10	
Total expenditure ...	109	1,279
Increase (decrease) in funds ...	197	(642)
Balance at end of year ...	2,499	2,302

7. Equity of Canada

The Equity of Canada represents the book value of assets and liabilities transferred from the former National Museums of Canada as of July 1, 1990 and the accumulated net results of the operations of the Gallery to date.

8. Related Party Transactions

Services provided without charge primarily by Public Works and Government Services Canada for accommodation and not recorded in the financial statements have been evaluated at $11,379,000 (1993—$11,149,000).

In addition to those related party transactions disclosed elsewhere in these financial statements, the Gallery is related in terms of common ownership to all Government of Canada created departments, agencies and Crown corporations. The Gallery enters into transactions with these entities in the normal course of business.

9. Collections

Acquisitions of works of art for the collections were made through the following:

	1994	1993
	(in thousands of dollars)	
Purchase from special purpose account (Note 5) ...	2,850	3,406
Gift or bequest, at fair market value ...	1,595	847
Purchase from trust account (Note 6) ...	99	1,279
	4,544	5,532

NATIONAL GALLERY OF CANADA—*Concluded*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1994—*Concluded*

10. Commitments

As at March 31, 1994, there remains $10,427,000 to be paid pursuant to agreements with a federal department and a Crown corporation. The major portion relates to a 49 year lease with the National Capital Commission for the CMCP facility. The future minimum payments are as follows:

	(in thousands of dollars)
1994-95	412
1995-96	462
1996-97	212
1997-98	212
1998-99	212
1999-2041	8,917

11. Custody of Gallery building and surrounding property

The Gallery and Public Works and Government Services Canada have negotiated, effective April 1, 1994, the transfer of administration of the Gallery building and surrounding property located on Sussex Drive, Ottawa, Ontario and a leased warehouse facility. The transfer of responsibilities will result in the addition of approximately $7,500,000 to the Gallery's operating and capital budgets and in parliamentary appropriations. However, the responsibility for grants-in-lieu of taxes will remain with Public Works and Government Services Canada. In 1994 the grant-in-lieu of taxes amounted to approximately $3,900,000.

SCHEDULE OF EXPENSES
FOR THE YEAR ENDED MARCH 31, 1994
(in thousands of dollars)

	1994	1993
Salaries and employee benefits	14,898	13,998
Protective services	3,123	3,325
Purchase of works of art for the collections (Note 9)	2,850	3,406
Professional and special services	2,668	2,516
Amortization	1,733	1,963
Materials and supplies	1,509	1,299
Cost of goods sold—Bookstore and Publishing	1,496	1,292
Repairs and upkeep of equipment	774	1,075
Travel	745	586
Postage, freight, express and cartage	647	614
Advertising	587	650
Publications	490	456
Communications	311	270
Library purchases	301	351
Grants in lieu of taxes—CMCP	293	264
Rent—CMCP	212	250
Rentals	135	185
Miscellaneous	112	77
	32,884	32,577

NATIONAL MUSEUM OF SCIENCE AND TECHNOLOGY

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The financial statements contained in this annual report have been prepared by Management in accordance with generally accepted accounting principles and the integrity and objectivity of the data in these financial statements are Management's responsibility. Management is also responsible for all other information in the annual report and for ensuring that this information is consistent, where appropriate, with the information and data contained in the financial statements.

In support of its responsibility, Management has developed and maintains books of account, records, financial and management controls, information systems and management practices. These are designed to provide reasonable assurance as to the reliability of financial information, that assets are safeguarded and controlled, and that transactions are in accordance with the *Financial Administration Act* and regulations as well as the *Museums Act* and by-laws of the corporation.

The Board of Trustees is responsible for ensuring that Management fulfils its responsibilities for financial reporting and internal control. The Board exercises its responsibilities through the Audit Committee which includes a majority of members who are not officers of the corporation. The Committee meets with Management and the independent external auditor to review the manner in which these groups are performing their responsibilities and to discuss auditing, internal controls and other relevant financial matters. The Audit Committee has reviewed the financial statements with the external auditor and has submitted its report to the Board of Trustees. The Board of Trustees has reviewed and approved the financial statements.

The corporation's external auditor, the Auditor General of Canada, audits the financial statements and reports to the Minister responsible for the corporation.

Geneviève Sainte-Marie
Director

Laurent Nadon
Director General, Corporate Services

AUDITOR'S REPORT

TO THE MINISTER DESIGNATE OF CANADIAN HERITAGE

I have audited the balance sheet of the National Museum of Science and Technology as at March 31, 1994, and the statements of operations, equity of Canada, and changes in financial position for the year then ended. These financial statements are the responsibility of the corporation's management. My responsibility is to express an opinion on these financial statements, based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the corporation as at March 31, 1994, and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles. As required by the *Financial Administration Act*, I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the corporation that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Museums Act* and the by-laws of the corporation.

Raymond Dubois, FCA
Deputy Auditor General
for the Auditor General of Canada

Ottawa, Canada
June 17, 1994

NATIONAL MUSEUM OF SCIENCE AND TECHNOLOGY—*Continued*

BALANCE SHEET AS AT MARCH 31, 1994
(in thousands of dollars)

ASSETS	1994	1993
Current		
Cash and short term investments	2,068	1,802
Accounts receivable		
—Government departments	182	88
—Other	36	26
Inventories (Note 3)	250	179
Prepaid expenses	8	145
	2,544	2,240
Trust account (Note 4)	630	657
Collection	1	1
Property and equipment (Note 5)	6,110	6,494
	9,285	9,392

LIABILITIES AND EQUITY OF CANADA	1994	1993
Current		
Accounts payable and accrued liabilities		
—Government departments	291	268
—Other	1,094	1,916
Current portion of accrued employee termination benefits	152	193
Deferred revenue	116	
	1,653	2,377
Accrued employee termination benefits	903	933
Trust account (Note 4)	630	657
Equity of Canada	6,099	5,425
	9,285	9,392

Approved by Management:

G. STE-MARIE
Director

LAURENT NADON
Director General, Corporate Services

Approved by the Board of Trustees:

DAVID M. CULVER
Chairman

LEON F. LOUCKS
Chairman, Audit Committee

NATIONAL MUSEUM OF SCIENCE AND TECHNOLOGY—*Continued*

STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 1994
(in thousands of dollars)

	1994	1993
Revenue		
Science and Technology:		
Admissions and memberships	714	678
Gift shops, cafeteria and publishing	695	499
Other museum services	179	121
	1,588	1,298
National Aviation Museum:		
Admissions and memberships	263	256
Gift shops, cafeteria and publishing	221	35
Other museum services	59	30
	543	321
Interest	72	25
Total revenue	2,203	1,644
Expenses (Schedule 1)		
Science and Technology:		
Display facility operation	6,083	6,010
Collection management	3,465	3,289
	9,548	9,299
National Aviation Museum:		
Display facility operation	2,006	1,309
Collection management	1,433	1,620
	3,439	2,929
Support activities	3,739	4,523
Amortization	995	1,061
Total expenses	17,721	17,812
Excess of expenses over revenue	15,518	16,168

STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED MARCH 31, 1994
(in thousands of dollars)

	1994	1993
Operating activities		
Excess of expenses over revenue	(15,518)	(16,168)
Items not affecting funds		
Amortization	995	1,061
Employee termination benefits	(30)	70
Gain on disposal of capital assets	(5)	(8)
Change in non-cash operating working capital items	(762)	(755)
Funds applied to operating activities	(15,320)	(15,800)
Financing activities		
Parliamentary appropriation	16,192	16,088
Investing activities		
Additions to property and equipment (net)	(606)	(1,033)
Increase (decrease) in cash and short term investments	266	(745)
Deposit at the beginning of the year	1,802	2,547
Deposit at the end of the year	2,068	1,802

STATEMENT OF EQUITY OF CANADA
FOR THE YEAR ENDED MARCH 31, 1994
(in thousands of dollars)

	1994	1993
Balance at the beginning of the year	5,425	5,505
Parliamentary appropriation	16,192	16,088
Excess of expenses over revenue	(15,518)	(16,168)
Balance at the end of the year	6,099	5,425

NATIONAL MUSEUM OF SCIENCE AND TECHNOLOGY—*Continued*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1994

1. Authority, mandate and operations

The National Museum of Science and Technology was established by the *Museums Act* on July 1st, 1990, and is an agent Crown corporation named in Part I of Schedule III to the *Financial Administration Act*.

The mandate of the corporation as stated in the Act is to foster scientific and technological literacy throughout Canada by establishing, maintaining and developing a collection of scientific and technical objects, with special but not exclusive reference to Canada, and by demonstrating the products and processes of science and technology and their economic, social and cultural relationships with society.

The corporation's operations comprise the National Museum of Science and Technology, the National Aviation Museum and common support activities. Each Museum's operations are divided into two complementary activities:

Display facility operations

The operation of the public facilities of the Museum, including the development and maintenance of exhibits, interpretation, communication and promotion, gift shops, food services and other services to visitors.

Collection management

Curatorial research, cataloguing, documentation, conservation and restoration of the collection, the library and related services.

2. Accounting policies

(a) Inventories

Inventories are valued at the lower of cost and net realizable value.

(b) Collection

The collection constitutes the major portion of the corporation's assets but is shown at a nominal value of $1,000 on the balance sheet because of the practical difficulties in reflecting at a meaningful value. Objects purchased for the collection are recorded as expenses in the year of acquisition. Objects donated to the corporation are not recorded in the books of accounts.

(c) Property and equipment

Property and equipment are recorded at cost. Capital assets are amortized using the straight-line method over their estimated useful lives as follows:

Building renovations	10 to 25 years
Equipment	5 to 12 years
Office furniture	5 to 10 years

(d) Pension plan

The employees of the corporation participate in the Public Service Superannuation Plan administered by the Government of Canada. The employees and the corporation contribute equally to the cost of the Plan. This contribution represents the total liability of the corporation. Contributions in respect of current service are expensed during the year in which the service is rendered. Contributions in respect of admissible past service are expensed when paid; the terms of payment are set by the applicable purchase conditions. The corporation is not required under present legislation to make contributions with respect to actuarial deficiencies of the Public Service Superannuation Account.

(e) Publishing and gift store operations

Operating expenses of publishing and gift stores, including costs relating to personnel, travel, transportation, advertising, building maintenance, rent and utilities are included in operating expenses.

(f) Employee termination benefits

On termination of employment, employees of the corporation are entitled to certain benefits provided for under their collective agreement and their conditions of employment. The cost of these benefits is expensed in the year in which they are earned.

(g) Parliamentary appropriations

Operating expenditures and the acquisition of capital assets are financed by a parliamentary appropriation which is credited to the equity of Canada in the year to which it applies.

3. Inventories

	1994	1993
	(in thousands of dollars)	
Books, pamphlets, replicas and other materials	237	168
Publications in process	13	11
	250	179

4. Trust account

This account was established by sub-section 15(1)(m) of the *Museums Act*, and is credited with moneys received by the corporation by way of gift, bequest or otherwise, interest on securities, rent or sales of real property acquired by the corporation by way of gift, bequest or otherwise. Also, an amount representing interest on the balance is credited to the account. The account is charged with amounts expended for the purpose for which such moneys or property were given, bequeathed or otherwise made available to the corporation. These transactions are not included in the statement of operations.

	1994	1993
	(in thousands of dollars)	
Receipts		
Gifts and bequests	4	183
Interest	25	34
	29	217
Disbursements	56	181
Excess of receipts over disbursements (disbursements over receipts)	(27)	36
Balance at the beginning of the year	657	621
Balance at the end of the year, represented by cash and securities	630	657

NATIONAL MUSEUM OF SCIENCE AND TECHNOLOGY—*Concluded*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1994—*Concluded*

5. Property and equipment

	1994			1993
	Cost	Accumulated amortization	Net book value	Net book value
	(in thousands of dollars)			
Building renovations	4,697	678	4,019	4,059
Equipment	3,963	2,690	1,273	1,496
Office furniture	3,199	2,381	818	939
	11,859	5,749	6,110	6,494

6. Related party transactions

The corporation is related to all government of Canada departments, agencies and Crown corporations. The rental of building space by the corporation is a service supplied without charge by the Government of Canada. The value of this service is estimated at $6,261,000 ($8,071,000 in 1993).

The corporation also incurred expenses for the work and services provided by other government departments and agencies. These transactions were conducted in the normal course of operations, under the same terms and conditions that applied to outside parties.

7. Commitments

As at March 31, 1994, the corporation had entered into various agreements mainly for the provision of professional services. The future minimum payments required under these agreements are $732,000 in 1994-95 and $557,000 in 1995-96.

8. Subsequent event

The corporation and Public Works Canada have negotiated effective April 1, 1994, the transfer of administration of the National Aviation Museum buildings and the National Museum of Science and Technology building and associated leased space. The transfer of responsibilities will result in the addition of approximately $5,416,000 to the corporation's operating and capital budgets, to be provided by parliamentary appropriation. Grants in lieu of taxes in the amount of $877,000 will remain the responsibility of Public Works Canada.

9. Comparative figures

Certain comparative figures have been reclassified to conform to the presentation adopted in 1994.

OPERATING EXPENSES
FOR THE YEAR ENDED MARCH 31, 1994
(in thousands of dollars) SCHEDULE 1

	1994	1993
Personnel costs	11,436	10,941
Professional and special services	1,797	1,640
Amortization	995	1,061
Protection services	529	964
Gift stores, cafeteria and publishing	496	273
Advertising	432	316
Materials and supplies	345	561
Publications	295	302
Repair and upkeep of equipment	272	334
Travel	210	225
Communications	180	180
Freight, express and cartage	179	107
Design and display	165	237
Office supplies and equipment	135	246
Rentals	128	121
Books	92	106
Purchase of objects for the collection	33	106
Miscellaneous	2	92
	17,721	17,812

COMMERCIAL OPERATIONS
FOR THE YEAR ENDED MARCH 31, 1994
(in thousands of dollars) SCHEDULE 2

	1994	1993
Revenue		
Gift shops	595	379
Food services	283	108
Publishing	23	45
Rentals	14	2
	915	534
Cost of sales		
Gift shops	319	199
Food services	114	45
Publishing	91	58
	524	302
Operating costs		
Gift shops	200	107
Food services	167	95
	367	202
Net profit	24	30

OLD PORT OF MONTREAL CORPORATION INC.

AUDITOR'S REPORT

TO THE MINISTER DESIGNATE OF PUBLIC WORKS
AND GOVERNMENT SERVICES

I have audited the balance sheet of the Old Port of Montreal Corporation Inc. as at March 31, 1994 and the statements of revenue and expenditures, Minister's account and changes in financial position for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 1994 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles. As required by the *Financial Administration Act*, I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Corporation that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Canada Business Corporations Act*, the articles and the by-laws of the Corporation, as well as the agreement between the Corporation and Her Majesty in Right of Canada represented by the Minister of Public Works and Government Services.

Raymond Dubois, FCA
Deputy Auditor General
for the Auditor General of Canada

Ottawa, Canada
June 3, 1994

BALANCE SHEET AS AT MARCH 31, 1994

ASSETS	1994	1993
	$	$
Current		
Cash	3,011,297	2,750,778
Accounts receivable	612,321	1,161,323
Due from Minister of Public Works and Government Services		4,062,630
Prepaid expenses	413,554	25,319
	4,037,172	8,000,050

LIABILITIES	1994	1993
	$	$
Current		
Accounts payable	3,104,045	7,602,367
Deferred revenue	381,201	
Due to Receiver General for Canada (Note 3)	47,319	109,533
Due to Minister of Public Works and Government Services	210,399	
	3,742,964	7,711,900
Provision for employee termination benefits	294,208	288,150
	4,037,172	8,000,050
Contingencies (Note 6)		
SHAREHOLDER'S EQUITY		
Capital stock (Note 4)		
	4,037,172	8,000,050

Approved by the Board:

DANIELLE TOUCHETTE
Director

BENOÎT LEMAY
Director

OLD PORT OF MONTREAL CORPORATION INC.—*Continued*

REVENUE AND EXPENDITURES
FOR THE YEAR ENDED MARCH 31, 1994

	1994	1993
	$	$
Revenue		
Animation programs	4,596,767	5,453,514
Less: Royalties to third parties	527,945	3,481,188
	4,068,822	1,972,326
Daily and monthly parking	2,182,288	2,300,809
Concessions and exclusive rights	947,925	1,060,530
Interest	107,632	264,423
Other	489,296	275,257
	7,795,963	5,873,345
Operating expenditures		
Maintenance of property and space rentals	4,026,636	4,180,641
Animation programs	3,261,915	1,912,271
Administration	1,403,627	1,631,109
Communications	1,713,162	1,452,333
	10,405,340	9,176,354
Excess of operating expenditures over revenue	2,609,377	3,303,009
Capital expenditures	2,343,585	18,988,581
Excess of expenditures over revenue	4,952,962	22,291,590
Revenue alloted to the Consolidated Revenue Fund of Canada (Note 3)	515,899	544,934
Amount to be funded by the Minister of Public Works and Government Services	5,468,861	22,836,524

CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED MARCH 31, 1994

	1994	1993
	$	$
Operating activities		
Excess of operating expenditures over revenue	(2,609,377)	(3,303,009)
Decrease in accounts receivable	549,002	556,916
Decrease (increase) in prepaid expenses	(388,235)	622,317
Decrease in accounts payable	(4,498,322)	(8,522,764)
Increase in deferred revenue	381,201	
Increase (decrease) in the provision for employee termination benefits	6,058	(5,164)
	(6,559,673)	(10,651,704)
Investing activities		
Capital expenditures	(2,343,585)	(18,988,581)
Financing activities		
Parliamentary appropriations received	9,741,890	21,492,344
Remittances to the Consolidated Revenue Fund	(578,113)	(474,769)
	9,163,777	21,017,575
Cash		
Increase (decrease) for the year	260,519	(8,622,710)
Balance at beginning of the year	2,750,778	11,373,488
Balance at end of the year	3,011,297	2,750,778

MINISTER'S ACCOUNT
FOR THE YEAR ENDED MARCH 31, 1994

	1994	1993
	$	$
Due from Minister of Public Works and Government Services at beginning of year	4,062,630	2,718,450
Amount to be funded by the Minister of Public Works and Government Services	5,468,861	22,836,524
	9,531,491	25,554,974
Parliamentary appropriations received	(9,741,890)	(21,492,344)
Due from (due to) Minister of Public Works and Government Services at the end of the year	(210,399)	4,062,630

OLD PORT OF MONTREAL CORPORATION INC.—*Continued*

NOTES TO FINANCIAL STATEMENTS
AS AT MARCH 31, 1994

1. Authority and activities

The Old Port of Montreal Corporation Inc. was incorporated on November 26, 1981 under the *Canada Business Corporations Act* and is a wholly-owned subsidiary of Canada Lands Company Limited, a Crown corporation named in Part I of Schedule III to the *Financial Administration Act*.

Effective February 1, 1982, pursuant to an agreement between the Corporation and Her Majesty in Right of Canada represented by the Minister of Public Works and Government Services, the Corporation is responsible for developing and for promoting the development of the lands of the Old Port of Montreal, and for administering, managing, and maintaining the property of Her Majesty located therein. The Corporation fulfils this responsibility in the name and for the account of the Minister of Public Works and Government Services who continues to hold title to the capital assets for the benefit of Her Majesty.

2. Significant accounting policies

(a) Financial statement presentation

The financial statements present transactions carried out by the Corporation as agent and on behalf of the Minister of Public Works and Government Services.

(b) Amount to be funded by the Minister of Public Works and Government Services

All expenditures incurred by the Corporation, net of revenue used for its operations, are reimbursable by the Minister of Public Works and Government Services using a parliamentary appropriation.

The difference between parliamentary appropriations received and the amount to be funded is recorded by the Corporation as due from or due to the Minister of Public Works and Government Services.

(c) Employee termination benefits

On termination of employment, employees of the Corporation are entitled to certain benefits provided for under the salary administration policy of the Corporation. The cost of these benefits is recorded in the year in which they are earned by the employees.

(d) Revenue

Pursuant to the agreement between the Corporation and the Minister of Public Works and Government Services, proceeds from the direct use of capital assets having titles held by the Minister are alloted to the Consolidated Revenue Fund of Canada and are to be remitted to the Receiver General for Canada. Other proceeds are used by the Corporation for its operations.

(e) Expenditures of a capital nature

Expenditures of a capital nature represent costs that significantly increase the value or extend the useful lives of properties administered by the Corporation. They also include costs of demolishing structures. Capital assets are not disclosed in the balance sheet since the Minister of Public Works and Government Services holds title to the capital assets for the benefit of Her Majesty.

(f) Retirement savings plan

The Corporation has established a group retirement savings plan under which a single trust was established with a private sector organization in order to accumulate contributions to provide a retirement income for the employees through individually registered retirement savings plans. All contributions are paid by the employees, the Corporation acting solely as an agent without incurring any liability.

3. Due to Receiver General for Canada

	1994	1993
	$	$
Balance at beginning of the year	109,533	39,368
Proceeds alloted to the Consolidated Revenue Fund of Canada		
Derived from operations:		
Monthly parking	415,379	439,262
Rentals	71,314	78,292
Other	29,206	27,380
	515,899	544,934
	625,432	584,302
Remittances	(578,113)	(474,769)
Balance at end of the year	47,319	109,533

4. Capital stock

The Corporation is authorized to issue a single share, to be held in trust for Her Majesty in Right of Canada, which may not be transferred without the consent of the Governor General in Council. The authorized share has been issued in consideration of services rendered.

5. Commitments

As at March 31, 1994, the commitments totalled $2,212,033 ($974,332 as at March 31, 1993).

6. Contingencies

As operator of the Expotec/Imax program, the Corporation has committed itself to take charge of the contingent liability that may result from a litigation between a municipal corporation and a services supplier. As at March 31, 1994, the Corporation estimated this contingent liability to be approximately $2.0 million. During the current year, the Quebec Court passed sentence in favour of the services supplier. However, the municipal corporation lodged an appeal in this cause. The Corporation considers that this lawsuit is ill-founded and consequently no provision has been recorded.

Various claims have been brought against the Corporation in the normal course of business.

It is the opinion of management that the conclusion of these contingencies will not result in any material liabilities to the Corporation. Any payment resulting from an unfavourable decision against the Corporation would be charged to the year during which the Corporation would actually be compelled to pay.

OLD PORT OF MONTREAL CORPORATION INC.—*Concluded*

NOTES TO FINANCIAL STATEMENTS
AS AT MARCH 31, 1994—*Concluded*

7. Related party transactions

The Corporation is related in terms of common ownership to all Government of Canada departments, agencies and Crown corporations. The Corporation enters into transactions with these entities in the normal course of business.

8. Cumulative data since November 26, 1981

	Accumulated as at March 31, 1993	1993-94	Accumulated as at March 31, 1994
	$	$	$
Capital expenditures	127,051,334	2,343,585	129,394,919
Excess of operating expenditures over revenue	26,527,214	2,609,377	29,136,591
Proceeds allotted to the Consolidated Revenue Fund of Canada	3,635,282	515,899	4,151,181
Amount being funded by the Minister of Public Works and Government Services	157,213,830	5,468,861	162,682,691

9. Allocation of accumulated capital expenditures

	Accumulated as at March 31, 1993	1993-94	Accumulated as at March 31, 1994
	$	$	$
Improvement to lands and to areas of water	84,044	350	84,394
Buildings	19,961	974	20,935
Bridges	4,482	39	4,521
Major wharf repairs	7,494	447	7,941
Furniture, urban furniture and equipment	6,073	424	6,497
Substructure and public services	4,518	110	4,628
Archeaological relics	479		479
	127,051	2,344	129,395

The allocation of capital expenditures at the categories level has been made based on the follow-up statements of these expenses presented in past corporate plans. The annual totals and the annexed statements to the corporate plans agree with the audited financial statements for each fiscal period.

The accounts structure of the Corporation was organized to compile capital expenditures by project. As a consequence, the allocation has involved the distribution of global cost for each project, including the significant expert counsel expenses, to one or the other of the categories indicated above according to management's best estimate at the cost of a reasonable effort.

PACIFIC PILOTAGE AUTHORITY

AUDITOR'S REPORT

TO THE MINISTER OF TRANSPORT

I have audited the balance sheet of Pacific Pilotage Authority as at December 31, 1993 and the statements of operations, retained earnings and changes in financial position for the year then ended. These financial statements are the responsibility of the Authority's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Authority as at December 31, 1993 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles. As required by the *Financial Administration Act*, I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Authority that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Pilotage Act* and regulations and the by-laws of the Authority.

Raymond Dubois, FCA
Deputy Auditor General
for the Auditor General of Canada

Ottawa, Canada
February 4, 1994

BALANCE SHEET AS AT DECEMBER 31, 1993
(in thousands of dollars)

ASSETS	1993	1992
Current		
Cash and short-term investments	3,231	3,657
Accounts receivable	3,593	3,250
Prepaid expenses	174	212
	6,998	7,119
Property and equipment (Note 3)	908	853
	7,906	7,972

LIABILITIES	1993	1992
Current		
Accounts payable and accrued liabilities	2,399	2,625
Long-term		
Accrued employee termination benefits	573	500
Obligations under capital leases	21	1
	594	501
	2,993	3,126
EQUITY OF CANADA		
Contributed capital	806	806
Retained earnings	4,107	4,040
	4,913	4,846
	7,906	7,972

Approved by the Authority:

R. I. NELSON
Chairman

C. IVES
Member

PACIFIC PILOTAGE AUTHORITY—*Continued*

STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 1993
(in thousands of dollars)

	1993	1992
Revenues		
Pilotage charges	30,810	32,589
Interest and other income	202	200
	31,012	32,789
Expenses		
Contract pilots' fees	20,971	21,335
Operating costs of pilot boats	3,519	3,239
Transportation and travel	3,209	3,183
Staff salaries and benefits	1,502	1,474
Pilots' salaries and benefits	853	866
Rentals	215	191
Professional and special services	176	189
Amortization	162	141
Utilities, materials and supplies	118	145
Computer services	102	174
Communications	91	88
Repairs and maintenance	24	39
Interest on capital leases	3	8
	30,945	31,072
Net income for the year	67	1,717

STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED DECEMBER 31, 1993
(in thousands of dollars)

	1993	1992
Operating activities		
Net income for the year	67	1,717
Items not affecting cash		
Amortization	162	141
Employee termination benefits	73	73
Gain on disposal of property and equipment	(5)	(7)
Change in non-cash operating components of working capital	(531)	(453)
Cash generated by (used for) operating activities	(234)	1,471
Investing activities		
Additions to property and equipment	(217)	(330)
Proceeds from disposal of property and equipment	5	8
	(212)	(322)
Financing activities		
Increase (decrease) in long-term obligations under capital leases	20	(33)
Increase (decrease) in cash	(426)	1,116
Cash and short-term investments at beginning of the year	3,657	2,541
Cash and short-term investments at end of the year	3,231	3,657

STATEMENT OF RETAINED EARNINGS
FOR THE YEAR ENDED DECEMBER 31, 1993
(in thousands of dollars)

	1993	1992
Appropriated		
Balance at beginning and end of the year	500	500
Unappropriated		
Balance at beginning of the year	3,540	1,823
Net income for the year	67	1,717
Balance at end of the year	3,607	3,540
	4,107	4,040

PACIFIC PILOTAGE AUTHORITY—*Concluded*

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1993

1. Authority and objectives

The Pacific Pilotage Authority was established in 1972 pursuant to the *Pilotage Act*. The objectives of the Authority are to establish, operate, maintain and administer a safe and efficient pilotage service within designated Canadian waters. The Act further provides that the tariffs of pilotage charges shall be fair and reasonable and consistent with providing a revenue, together with any revenue from other sources, sufficient to permit the Authority to operate on a self-sustaining financial basis.

Pilotage services on the Fraser River are provided by employee pilots and in other coastal waters under a contract with a local licensed pilots' company.

The Authority is a Crown corporation named in Part I of Schedule III to the *Financial Administration Act* and is not subject to any income taxes.

2. Significant accounting policies

Capital leases

Under the terms of certain lease agreements the Authority assumes the rights and obligations of ownership. These leases are treated as capital leases. An asset and an obligation are recorded at an amount equal to the market value of the asset at the beginning of the lease. The obligation is reduced each year by the principal portion of the lease payments and the interest portion is charged to expense.

Amortization

Amortization of property and equipment is calculated on a straight-line basis and is based on the estimated useful lives of the assets as follows:

Buildings	20 years
Pilot boats	25 years
Equipment—Communication and other	10 years
—Computer	5 years
Leasehold improvements	15 years

Employee termination benefits

Employees are entitled to specified benefits on termination as provided for under labour contracts and conditions of employment. The liability for these payments is recorded in the accounts as the benefits accrue to the employees.

Contributed capital

Amounts representing the values assigned to property and equipment transferred from Canada in 1972 and the cost of any property and equipment financed from parliamentary appropriations are shown as contributed capital.

Appropriated retained earnings

Amounts are appropriated from time to time by the Authority to provide for extraordinary costs arising from renewal or acquisition of capital assets and for contingencies.

Pension plan

All employees are covered by the Public Service Superannuation Plan administered by the Government of Canada. Contributions to the Plan are required from both the employee and the Authority. These contributions represent the total liability of the Authority and are recognized in the accounts on a current basis.

3. Property and equipment

	1993			1992
	Cost	Accumulated amortization	Net	Net
	(in thousands of dollars)			
Buildings	57	53	4	
Pilot boats	1,306	960	346	388
Equipment				
—Communication and other	759	363	396	292
—Computers	573	442	131	137
Leasehold improvements	67	36	31	36
	2,762	1,854	908	853

The above assets include computers under capital leases at a total value of $33,188 (1992—$181,837) less accumulated amortization of $7,673 (1992—$69,900).

4. Commitments

The Authority has a long-term operating lease obligation for office accommodation aggregating $520,560 to December 31, 1999 at a base annual rent of $86,760. The obligation also calls for pro-rata share of annual operating costs estimated at $31,320 for 1994.

The Authority has an operating lease agreement for the services of a manned pilot boat until December 31, 1993. For 1993, rent was $351,540. In addition, the Authority paid $120 per assignment for each assignment beyond eleven assignments in any one month. The agreement for 1994 is still to be finalized.

PETRO-CANADA LIMITED

AUDITORS' REPORT

TO THE MINISTER OF FINANCE

We have audited the balance sheet of Petro-Canada Limited as at December 31, 1993 and the statements of earnings and retained earnings and changes in financial position for the year then ended. These financial statements are the responsibility of the corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the corporation as at December 31, 1993 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles. As required by the *Financial Administration Act*, we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in our opinion, the transactions of the corporation that have come to our notice during our audit of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Petro-Canada Limited Act* and by-laws of the corporation.

Raymond Dubois, FCA
Deputy Auditor General
for the Auditor General of Canada

Ottawa, Canada

Arthur Andersen & Co.
Chartered Accountants

Calgary, Canada
March 25, 1994

BALANCE SHEET
AS AT DECEMBER 31, 1993
(stated in millions of dollars)

ASSETS	1993	1992
Current assets		
Cash and short-term deposits	2	11
Accrued interest receivable	9	9
Current portion of investments	12	11
	23	31
Investments (Note 3)	503	488
	526	519

LIABILITIES AND SHAREHOLDER'S EQUITY	1993	1992
Current liabilities		
Accrued interest payable	11	11
Accounts payable		2
	11	13
Deferred revenue (Note 3)	36	39
Long-term debt (Note 4)	479	460
Shareholder's equity (Note 5)		7
	526	519

Approved on behalf of the Board:

ARNI C. THORSTEINSON
Director

ANNE R. DUBIN
Director

PETRO-CANADA LIMITED—*Continued*

STATEMENT OF EARNINGS AND RETAINED EARNINGS
FOR THE YEAR ENDED DECEMBER 31, 1993
(stated in millions of dollars)

	1993	1992
Revenue		
Interest income (Note 2)	41	70
Credit and guarantee fees	1	4
Gain on retirement of debentures receivable (Note 3)		66
Prepayment premium		6
	42	146
Expenses		
Interest on long-term debt	41	68
Loss on retirement of long-term debt (Note 3)		75
	41	143
Net earnings	1	3
Retained earnings (deficit) at beginning of year	(22)	(25)
Dividend on common shares	(8)	
Retained earnings (deficit) at end of year	(29)	(22)

STATEMENT OF CHANGES
IN FINANCIAL POSITION
FOR THE YEAR ENDED DECEMBER 31, 1993
(stated in millions of dollars)

	1993	1992
Operating activities		
Net earnings	1	3
Non-cash items included in earnings	(11)	(14)
	(10)	(11)
Increase in deferred revenue		25
(Increase) decrease in operating working capital	(1)	5
	(11)	19
Investing activites		
Decrease in investments, net	10	
Collection of debentures receivable		733
Purchase of investments		(188)
	10	545
Financing activities		
Dividend on common shares	(8)	
Repayment of long-term debt		(559)
	(8)	(559)
(Decrease) increase in cash and short-term deposits	(9)	5
Cash and short-term deposits at beginning of year	11	6
Cash and short-term deposits at end of year	2	11

PETRO-CANADA LIMITED—*Continued*

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1993
(stated in millions of dollars)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) The Corporation

Petro-Canada Limited ("the Corporation") is an agent Crown Corporation named in Part II of Schedule III of the *Financial Administration Act.*

(b) Translation of Foreign Currency

Monetary assets and liabilities are translated into Canadian dollars at rates of exchange in effect at the balance sheet date. Related interest income and expense are translated at rates of exchange in effect at the respective transaction dates. Investments and debentures receivable hedge foreign currency fluctuations on long-term debt. Unrealized exchange gains or losses arising on translation of investments and debentures receivable are offset against those relating to the long-term debt.

(c) Investments

Investments are carried at cost less amortization of premiums on acquisition. Premiums on acquisition are amortized on a straight-line basis over the life of the investments.

(d) Deferred Revenue

Deferred revenue is amortized on a straight-line basis over the life of the related investments.

2. RELATED PARTY TRANSACTIONS

The Corporation loaned the proceeds from the issue of long-term debt to Petro-Canada, a company owned approximately 70.3% by the Government of Canada, on terms substantially the same as the Corporation's borrowing terms and earned $nil (1992—$36 million) of interest income from Petro-Canada (Note 3).

At December 31, 1993 the Corporation has guaranteed $125 million of fixed rate debt issued in connection with the financing for the Petro-Canada Centre maturing November 15, 1994.

In 1993 the Corporation had an operating services agreement with Petro-Canada whereby Petro-Canada provided various administrative, operating and management services on behalf of the Corporation for a fee of $110,000 (1992—$125,000).

The Corporation holds investments with a face value of U.S. $178 million (Canadian $235 million) (1992—U.S. $178 million (Canadian $226 million)) in an agency Crown corporation of the Government of Canada.

3. DEBT RESTRUCTURING

In May 1991, the Corporation entered into a debt restructuring agreement ("the Agreement") with Petro-Canada and the Government of Canada whereby Petro-Canada was to prepay to the Corporation the outstanding debentures receivable due to the Corporation based on the market value of the debentures on the date of prepayment. At December 31, 1992 Petro-Canada had prepaid all debentures receivable due to the Corporation, thereby completing the repayment required under the terms of the Agreement. Proceeds from the prepayments were used to retire long-term debt of the Corporation. Where outstanding debentures in long-term debt could not be retired, investments were purchased by the Corporation to defease such debt.

Under the Agreement Petro-Canada paid to the Corporation a prepayment premium of U.S. $13 million (Canadian $15 million) in consideration of the costs associated with the prepayment of debentures receivable.

The Agreement provides for the payment to the Corporation of credit and guarantee fees ("the fees") with respect to the debentures receivable until prepayment and with respect to the guaranteed debt (Note 2) until its maturity. The amount of the fees depends on the credit rating of Petro-Canada. Based on Petro-Canada's current credit rating, the guarantee fee is 1/2 of 1% per annum of the outstanding debt.

In 1992, Petro-Canada prepaid U.S. $600 million of debentures receivable at market value of U.S. $671 million (Canadian $821 million) and paid a prepayment premium of U.S. $6.5 million (Canadian $8 million) to the Corporation. Subsequently, the Corporation redeemed U.S. $452 million of the corresponding debentures in long-term debt at a market value of U.S. $514 million (Canadian $624 million). Investments of U.S. $148 million (Canadian $188 million) were purchased to defease the remaining debentures in long-term debt.

The defeasance investments are intended to be held until maturity and therefore no provision is made for any decline in market value. Proceeds from interest and principal maturities of the investments approximate the Corporation's interest and principal obligations of the debentures in long-term debt. The Corporation has deferred the portion of the gain on retirement of debentures receivable and the portion of the prepayment premium associated with the long-term debt not redeemed.

4. LONG-TERM DEBT

	Maturity	1993	1992
In United States dollars			
7.25% unsecured debentures (U.S. $48 million)	1996	64	61
9.50% unsecured debentures (U.S. $96 million)	2003	127	122
8.60% unsecured debentures (U.S. $158 million)	2010	209	201
8.25% unsecured debentures (U.S. $40 million)	2016	53	51
9.70% unsecured debentures (U.S. $16 million)	2018	21	20
8.80% unsecured debentures (U.S. $4 million)	2019(1)	5	5
		479	460

(1) Redeemable, at face value, in 2004 at the option of the holder thereof.

The minimum repayment of long-term debt in the next five years is $64 million in 1996.

PETRO-CANADA LIMITED—*Concluded*

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1993—*Concluded*

5. SHAREHOLDER'S EQUITY

	1993	1992
Capital	2,727	2,727
Retained earnings (deficit)	(29)	(22)
	2,698	2,705
Shareholder's equity attributed to investment in Petro-Canada transferred to the Government of Canada in 1991	(2,698)	(2,698)
		7

Authorized Capital

(a) 71,188 common shares with a par value of one hundred thousand dollars each, and

(b) Preferred shares issued to the Government of Canada provided that the amount of such shares together with any loans received, and outstanding, from the Consolidated Revenue Fund of the Government of Canada is not in excess of one billion dollars. These shares have a par value of one dollar each, are redeemable at par at the option of the Corporation, carry no stated rate of dividend and are non-cumulative.

Issued (to the Government of Canada)

	Number of Shares	1993	1992
Common shares	17,540	1,754	1,754
Preferred shares	972,771,853	973	973
Total capital		2,727	2,727

6. INCOME TAXES

Pursuant to an Order-in-Council and subsequent amendments to income tax legislation, effective July 3, 1991 the Corporation became an exempt corporation for purposes of the *Income Tax Act* and is not liable for income taxes after that date.

PORT OF QUÉBEC CORPORATION

AUDITORS' REPORT

TO THE HONOURABLE DOUGLAS YOUNG, P.C., M.P.
MINISTER OF TRANSPORT

We have audited the balance sheet of Port of Québec Corporation as at December 31, 1993 and the statements of income, surplus and changes in financial position for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 1993 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

We further report that, in our opinion, the transactions of the Corporation that have come to our notice in the course of our examination of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Canada Ports Corporation Act* and with the charter and by-laws of the Corporation.

Peat Marwick Thorne
Chartered Accountants

Québec, Canada
February 18, 1994

BALANCE SHEET AS AT DECEMBER 31, 1993

ASSETS	1993	1992
	$	$
Current assets:		
Cash	481,213	1,225,315
Investments, at cost	3,442,804	
Accounts receivable	2,052,774	4,464,187
Materials and supplies	160,223	159,989
	6,137,014	5,849,491
Long-term receivable		226,505
Fixed assets (Note 3)	57,952,093	58,719,047
	64,089,107	64,795,043

LIABILITIES AND EQUITY OF CANADA	1993	1992
	$	$
Current liabilities:		
Accounts payable and accrued liabilities	1,161,476	1,939,426
Grants in lieu of municipal taxes	133,432	319,400
Deferred revenues	862,897	888,158
Current portion of long-term debt	149,324	71,562
	2,307,129	3,218,546
Long-term debt:		
Accrued employee benefits	1,042,000	1,000,000
Loans from interport loan fund (Note 4)	6,479,114	3,428,438
	7,521,114	4,428,438
EQUITY OF CANADA		
Contributed capital	51,852,198	51,852,198
Surplus	2,408,666	5,295,861
	54,260,864	57,148,059
	64,089,107	64,795,043

Contingencies (Note 7)
See accompanying notes to financial statements.

On behalf of the Board:

YVES CHABOT
Chairman of the Board

ROSS GAUDREAULT
President and Chief Executive Officer

PORT OF QUÉBEC CORPORATION—*Continued*

STATEMENT OF INCOME FOR THE YEAR ENDED DECEMBER 31, 1993

	1993	1992
	$	$
Revenue from operations	11,039,270	14,287,504
Expenses:		
Operating and administrative	9,218,989	10,606,195
Depreciation of fixed assets	3,304,123	2,997,486
Grants in lieu of municipal taxes	1,536,072	1,702,631
	14,059,184	15,306,312
Loss from operations	(3,019,914)	(1,018,808)
Other income (expense):		
Investment income	42,334	89,352
Interest expense	(374,615)	(46,941)
	(332,281)	42,411
Loss before unusual items	(3,352,195)	(976,397)
Gain on settlement of grants in lieu of municipal taxes	315,000	
Compensation received on a lease signature	150,000	
	465,000	
Loss	(2,887,195)	(976,397)

See accompanying notes to financial statements.

STATEMENT OF SURPLUS FOR THE YEAR ENDED DECEMBER 31, 1993

	1993	1992
	$	$
Balance at beginning of year	5,295,861	6,282,986
Loss	(2,887,195)	(976,397)
Dividend to Canada		(10,728)
Balance at end of year	2,408,666	5,295,861

See accompanying notes to financial statements.

STATEMENT OF CHANGES IN FINANCIAL POSITION FOR THE YEAR ENDED DECEMBER 31, 1993

	1993	1992
	$	$
Cash provided by (used for):		
Operations:		
Loss	(2,887,195)	(976,397)
Items not affecting cash:		
Depreciation of fixed assets	3,304,123	2,997,486
Gain on disposal of fixed assets	(5,943)	(48,470)
Write-off of projects under construction		13,187
Accrued employee benefits	42,000	49,000
	452,985	2,034,806
Changes in non-cash operating working capital (Note 5)	1,422,000	1,052,694
	1,874,985	3,087,500
Investment:		
Additions to fixed assets	(2,553,733)	(6,467,279)
Long-term receivable reclassified to current assets	226,505	
Proceeds from disposal of fixed assets	22,507	57,659
	(2,304,721)	(6,409,620)
Financing:		
Loans from interport loan fund	3,200,000	3,500,000
Reimbursement of loans from interport loan fund	(71,562)	
Dividend to Canada		(10,728)
	3,128,438	3,489,272
Increase in cash position	2,698,702	167,152
Cash position at beginning of year	1,225,315	1,058,163
Cash position at end of year	3,924,017	1,225,315
Cash position is represented by:		
Cash	481,213	1,225,315
Investments	3,442,804	
	3,924,017	1,225,315

See accompanying notes to financial statements.

PORT OF QUÉBEC CORPORATION—*Continued*

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1993

1. STATUS AND NATURE OF ACTIVITIES

The Port of Québec Corporation was incorporated on June 1, 1984, under section 6.2(1) of the *Canada Ports Corporation Act*. The Corporation is exempt from income tax.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Fixed assets

Fixed assets are recorded at cost except for those transferred to the Corporation from Canada, which are recorded at appraised or fair market value established at the time of transfer. Grants received from Canada and from third parties for capital projects are deducted from the cost of the related fixed assets.

Depreciation is calculated on the straight-line basis commencing with the year the asset becomes operational, using the following annual rates:

Assets	Rates %
Dredging	2.5-6.7
Berthing structures	2.5-10
Buildings	2.5-10
Utilities	3.3-10
Roads and surfaces	2.5-10
Machinery and equipment	5-20
Office furniture and equipment	20

(b) Pension costs

All permanent employees of the Corporation are covered by the Public Service Superannuation Plan administered by Canada. Contributions to the plan are required from both the employees and the Corporation. The annual contributions represent the liability of the Corporation for pensions and are recognized in the accounts on a current basis.

(c) Insurance

The Port of Québec Corporation assumes all risks with respect to workers' compensation claims. Any costs arising from these claims are recorded in the accounts in the year, based on the invoices received or to be received from Labour Canada for the year.

(d) Grants in lieu of municipal taxes

The expense for grants in lieu of municipal taxes is estimated based on municipal assessments adjusted in accordance with the *Municipal Grants Act*. Grants are paid after the amounts have been audited by the Municipal Grants Division of Public Works Canada. Any adjustments upon finalization are reflected in the accounts in the year of settlement.

(e) Employee benefits

The Corporation accrues estimated liabilities for severance pay, annual leave and overtime compensatory leave, which are payable to its employees in subsequent years under collective agreements, or in accordance with its policy.

3. FIXED ASSETS

	1993			1992
	Cost	Accumulated depreciation	Net book value	Net book value
	$	$	$	$
Land	11,155,836		11,155,836	11,098,253
Dredging	4,561,342	4,091,612	469,730	497,791
Berthing structures	23,934,317	18,851,747	5,082,570	5,451,969
Buildings	42,122,809	19,371,330	22,751,479	17,415,905
Utilities	19,875,522	5,155,526	14,719,996	15,248,987
Roads and surfaces	6,303,120	4,945,761	1,357,359	1,373,865
Machinery and equipment	1,005,579	574,529	431,050	486,315
Office furniture and equipment	1,653,785	1,414,144	239,641	483,091
Projects under construction	1,744,432		1,744,432	6,662,871
	112,356,742	54,404,649	57,952,093	58,719,047

4. LOANS FROM INTERPORT LOAN FUND

	1993	1992
	$	$
Loans bearing interest:		
8.5% and 8.73%, payable in annual instalments, of $372,512 including interest, maturing in 2012	3,428,438	3,500,000
8.07% and 7.54%, payable in annual instalments, of $320,839 including interest, maturing in 2013	3,200,000	
	6,628,438	3,500,000
Current portion of long-term debt	149,324	71,562
	6,479,114	3,428,438

The aggregate maturities of long-term debt for each of the five years subsequent to December 31, 1993 are as follows: 1994—$149,324; 1995—$161,577; 1996—$174,838; 1997—$189,192 and 1998—$204,727.

5. CHANGES IN NON-CASH OPERATING WORKING CAPITAL

	1993	1992
	$	$
Accounts receivable	2,411,413	1,188,649
Materials and supplies	(234)	(6,777)
Accounts payable and accrued liabilities	(777,950)	(280,806)
Grants in lieu of municipal taxes	(185,968)	98,243
Deferred revenues	(25,261)	53,385
	1,422,000	1,052,694

PORT OF QUÉBEC CORPORATION—*Concluded*

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1993—*Concluded*

6. RELATED PARTY TRANSACTIONS

During the year, the Corporation entered into transactions with related entities including various departments, government organizations and Crown corporations.

Principally, the Corporation earned rental revenues of $648,000 ($743,000 in 1992) from related entities. The expenses paid to related parties mainly consist in reimbursements of $761,000 ($822,000 in 1992) to Canada Ports Corporation as its share of the Corporation's head office expenses. The Corporation has also earned investment income of $42,000 ($89,000 in 1992).

The Corporation has accounts payable of $298,000 ($292,000 in 1992) and accounts receivable of $157,000 ($295,000 in 1992) with the same related parties.

7. CONTINGENCIES

Claims aggregating approximately $1,100,000 have been received by the Corporation in respect to lawsuits and various other matters in dispute. A provision of $150,000 has been accounted for in the financial statements in relation with these contingencies. Any additionnal amount payable in connection with those claims will be capitalized to the cost of buildings.

In addition, claims for an estimated amount of approximately $5,000,000 have been received by the Corporation concerning the ownership of certain lands. Any amount payable in connection with those claims will be capitalized to the cost of land.

In the Corporation's view, its position is defensible and the final outcome of such claims should not result in any material loss.

PRINCE RUPERT PORT CORPORATION

AUDITORS' REPORT

TO THE HONOURABLE DOUGLAS YOUNG, P.C., M.P.
MINISTER OF TRANSPORT

We have audited the balance sheet of Prince Rupert Port Corporation as at December 31, 1993 and the statements of operations and surplus and changes in financial position for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 1993 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles. As required by the *Financial Administration Act*, we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in our opinion, the transactions of the Corporation that have come to our notice during our examination of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, and the letters patent and by-laws of the Corporation.

KPMG Peat Marwick Thorne
Chartered Accountants

New Westminster, Canada
January 28, 1994

BALANCE SHEET AS AT DECEMBER 31, 1993

ASSETS	1993	1992
	$	$
Current assets:		
Cash	600,253	408,569
Investments (Note 2)	10,329,579	8,998,623
Accounts receivable	1,017,035	1,159,303
Materials and supplies	205,993	238,297
	12,152,860	10,804,792
Property and equipment (Note 3)	99,542,097	100,693,547
	111,694,957	111,498,339

LIABILITIES AND EQUITY OF CANADA	1993	1992
	$	$
Current liabilities:		
Accounts payable and accrued liabilities	897,174	337,467
Grants in lieu of municipal taxes	866,896	735,139
Deferred revenues	240,307	236,423
Principal due within one year on loans from Canada	403,010	365,597
	2,407,387	1,674,626
Loans from Canada (Note 4)	15,778,732	16,181,742
Equity of Canada:		
Contributed capital	79,611,805	79,611,805
Surplus	13,897,033	14,030,166
	93,508,838	93,641,971
	111,694,957	111,498,339

Commitments (Note 5)
See accompanying notes.

On behalf of the Board:

DOLORES D. MACINTOSH
Acting Chairman of the Board

JOHN D. MCNISH
Director

PRINCE RUPERT PORT CORPORATION—*Continued*

STATEMENT OF OPERATIONS AND SURPLUS FOR THE YEAR ENDED DECEMBER 31, 1993

	1993	1992
	$	$
Revenue from operations	12,873,525	13,709,376
Expenses:		
Operating and administrative	8,907,153	8,537,093
Depreciation	2,383,371	2,484,172
Grants in lieu of municipal taxes	576,707	659,564
	11,867,231	11,680,829
Earnings from operations	1,006,294	2,028,547
Other earnings (expense):		
Interest	596,554	595,447
Interest expense	(1,696,640)	(1,730,580)
	(1,100,086)	(1,135,133)
Net (loss) earnings	(93,792)	893,414
Surplus, beginning of year	14,030,166	13,217,056
	13,936,374	14,110,470
Dividend to Canada	39,341	80,304
Surplus, end of year	13,897,033	14,030,166

See accompanying notes.

STATEMENT OF CHANGES IN FINANCIAL POSITION FOR THE YEAR ENDED DECEMBER 31, 1993

	1993	1992
	$	$
Cash provided by (used in):		
Operations:		
Net (loss) earnings	(93,792)	893,414
Items not involving cash:		
Depreciation	2,383,371	2,484,172
Changes in non-cash operating working capital:		
Accounts receivable	142,268	4,032,122
Materials and supplies	32,304	(16,294)
Accounts payable and accrued liabilities	559,707	9,293
Grants in lieu of municipal taxes	131,757	162,856
Deferred revenues	3,884	14,219
	3,159,499	7,579,782
Financing:		
Decrease in payable to Canada		(3,545,675)
Decrease in loans from Canada	(365,597)	(331,659)
Dividend to Canada	(39,341)	(80,304)
Decrease in recoverable contribution from Canada		(48,300,000)
Increase in contributed capital		48,300,000
	(404,938)	(3,957,638)
Investment:		
Purchase of property and equipment	(1,231,921)	(102,044)
Increase in cash position	1,522,640	3,520,100
Cash position, beginning of year	9,407,192	5,887,092
Cash position, end of year	10,929,832	9,407,192
Cash position is defined as:		
Cash	600,253	408,569
Investments	10,329,579	8,998,623
Cash position	10,929,832	9,407,192

See accompanying notes.

PRINCE RUPERT PORT CORPORATION—*Continued*

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1993

LOCAL PORT CORPORATION

The Prince Rupert Port Corporation was established effective June 1, 1984 as a local port corporation pursuant to the *Canada Ports Corporation Act*. The Corporation is exempt from income taxes.

On June 1, 1984, all the assets and liabilities of Canada Ports Corporation relating to the Port of Prince Rupert were transferred to the Corporation at their book value as recorded by Canada Ports Corporation.

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Investments

The investments, which are direct and guaranteed securities of Canada, are shown at amortized cost. Premiums or discounts are amortized over the periods to maturity.

(b) Property and equipment

Property and equipment are recorded at cost. Grants towards capital projects received from Canada and from third parties are deducted from the cost of the related property and equipment.

Depreciation is calculated on the straight-line basis on the cost less any grant received, commencing with the year the asset becomes operational, at rates based on the estimated useful lives of the assets as follows:

Dredging	5%
Berthing structures	2.5%-10%
Buildings	5%-10%
Roads and surfaces	3.3%-10%
Utilities	5%-10%
Machinery and equipment	5%-100%
Office furniture and equipment	20%-33.3%

(c) Pension costs

All permanent employees of the Corporation are covered by the Public Service Superannuation Plan administered by Canada. Contributions to the plan are required from both the employees and the Corporation. The annual contributions represent the liability of the Corporation for pensions and are recognized in the accounts on a current basis.

(d) Grants in lieu of municipal taxes

The expense for grants in lieu of municipal taxes is estimated based on municipal assessments adjusted in accordance with the *Municipal Grants Act*. Grants are paid after the amounts have been audited by the Municipal Grants Division of Government Services Canada (formerly Public Works Canada). Any adjustments upon finalization are reflected in the accounts in the year of settlement.

(e) Employee benefits

The Corporation accrues in its accounts annually the estimated liabilities for severance pay, annual leave and overtime compensatory leave, which are payable to its employees in subsequent years.

2. INVESTMENTS

	1993	1992
	$	$
Amortized cost	10,329,579	8,998,623
Market value	10,338,522	8,993,980

3. PROPERTY AND EQUIPMENT

	1993			1992
	Cost	Accumulated depreciation	Net	Net
	$	$	$	$
Land	64,099,197		64,099,197	64,099,197
Dredging	332,187	56,018	276,169	265,528
Berthing structures	36,129,994	7,967,963	28,162,031	29,376,995
Buildings	3,822,280	1,484,127	2,338,153	2,507,754
Roads and surfaces	6,573,131	4,121,568	2,451,563	2,871,888
Utilities	2,589,383	2,033,297	556,086	716,415
Machinery and equipment	2,400,618	1,838,688	561,930	721,676
Office furniture and equipment	423,035	350,874	72,161	52,966
Construction in progress	1,024,807		1,024,807	81,128
	117,394,632	17,852,535	99,542,097	100,693,547

PRINCE RUPERT PORT CORPORATION—*Concluded*

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1993—*Concluded*

4. LOANS FROM CANADA

	1993	1992
	$	$
Interest-bearing loans at 9.80% to 10.40% repayable in blended annual instalments, maturing in 2010	16,181,742	16,547,339
Less principal included in current liabilities	403,010	365,597
	15,778,732	16,181,742

Principal payment requirements over the next five years are approximately as follows:

	$
1994	403,000
1995	444,000
1996	490,000
1997	540,000
1998	595,000
	2,472,000

5. COMMITMENTS

(a) The Corporation rents its premises under an operating lease which expires April 30, 1994. The future rent payable to the expiry date is as follows:

	$
1994	27,088

(b) At December 31, 1993, commitments in connection with construction of a new pulp warehouse at Fairview Terminal and the acquisition of a terminal facility amounted to approximately $1,500,000 and $1,000,000 respectively.

6. RELATED PARTY TRANSACTIONS

(a) During the year, the Corporation recorded lease revenue of $1,772,618 (1992—$1,939,560) from Ridley Terminals Inc., a company which is a wholly-owned subsidiary of Canada Ports Corporation. At December 31, 1993, accounts receivable included $278,926 (1992—$161,014) from Ridley Terminals Inc.

(b) During the year, the Corporation paid $649,623 (1992—$688,968) to Canada Ports Corporation as its share of that Corporation's head office expense. At December 31, 1993, accounts payable included $10,083 (1992—$22,608) to Canada Ports Corporation.

QUEENS QUAY WEST LAND CORPORATION

AUDITORS' REPORT

TO THE MINISTER DESIGNATE OF PUBLIC WORKS
AND GOVERNMENT SERVICES

We have audited the consolidated balance sheet of Queens Quay West Land Corporation as at March 31, 1994 and the consolidated statements of operations, contributed capital and deficit and changes in financial position for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 1994 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles. As required by the *Financial Administration Act*, we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in our opinion, the transactions of the Corporation and its wholly-owned subsidiaries that have come to our notice during our audit of the consolidated financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Canada Business Corporations Act*, the articles and by-laws of the Corporation and its wholly-owned subsidiaries and the Management Agreement with Canada.

KPMG Peat Marwick Thorne
Chartered Accountants

Toronto, Canada
June 30, 1994

L. Denis Desautels, FCA
Auditor General of Canada

Ottawa, Canada

CONSOLIDATED BALANCE SHEET
AS AT MARCH 31

ASSETS	1994	1993
	$	$
Current assets:		
Cash and short-term investments	6,177,356	565,308
Receivable from Canada		152,092
Receivable from developers		150,000
Other receivables and assets	1,078,224	974,847
	7,255,580	1,842,247
Non-current assets:		
Receivable from developers	10,130,960	12,935,879
Deferred development costs	6,045,310	8,743,051
Capital assets (Note 4)	32,335	83,619
	16,208,605	21,762,549
	23,464,185	23,604,796

LIABILITIES AND SHAREHOLDER'S EQUITY (DEFICIENCY)	1994	1993
	$	$
Current liabilities:		
Accounts payable and accrued liabilities	3,676,683	7,045,164
Loans from Canada (Note 5)	45,800,000	25,100,000
Shareholder's equity (deficiency):		
Share capital (Note 6)	1	1
Contributed capital		6,755,151
Deficit	(26,012,499)	(15,295,520)
	(26,012,498)	(8,540,368)
Contingencies (Note 2)		
	23,464,185	23,604,796

See accompanying notes to consolidated financial statements.

On behalf of the Board:

WILLIAM J. McALEER
Director

W. DARCY McKEOUGH
Director

QUEENS QUAY WEST LAND CORPORATION—*Continued*

CONSOLIDATED STATEMENT OF OPERATIONS FOR THE YEARS ENDED MARCH 31

	1994	1993
	$	$
Corporate and commercial operations:		
Revenues:		
Commercial and other income	1,688,580	1,911,804
Parking income	1,987,309	2,220,946
Interest on receivable from developers	57,120	143,384
Other interest	91,317	89,654
	3,824,326	4,365,788
Expenses:		
Commercial management	2,649,245	2,960,346
Provision for receivable from developers		1,478,579
Realty taxes (Note 7)	(2,083,199)	
Interest on loans from Canada	2,588,653	1,740,472
Corporate administration	413,857	501,985
	3,568,556	6,681,382
Net corporate and commercial income (loss)	255,770	(2,315,594)
Development operations (Note 3(c)):		
Period development and other public infrastructure costs	313,500	
Land conveyances	8,164,400	
Net development expense	8,477,900	
Net loss for the year	(8,222,130)	(2,315,594)

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CONTRIBUTED CAPITAL AND DEFICIT AS AT MARCH 31

	1994	1993
	$	$
Contributed capital:		
Balance, beginning of year	6,755,151	18,886,579
Development (Note 3 (c)):		
Period development and other public infrastructure costs		(231,428)
Payments to City of Toronto		(2,600,000)
Contributions to Harbourfront Centre (Note 8):		
Operating	(5,505,151)	(8,800,000)
Capital	(1,250,000)	(500,000)
Balance, end of year		6,755,151
Deficit:		
Balance, beginning of year	(15,295,520)	(12,979,926)
Net loss for the year	(8,222,130)	(2,315,594)
Balance of operating contributions to Harbourfront Centre (Note 8)	(2,494,849)	
Balance, end of year	(26,012,499)	(15,295,520)

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION FOR THE YEARS ENDED MARCH 31

	1994	1993
	$	$
Operating activities:		
Net loss for the year	(8,222,130)	(2,315,594)
Amortization	59,547	59,891
	(8,162,583)	(2,255,703)
Other receivables and assets	(103,377)	369,236
Deferred development costs	2,697,741	
Receivable from developers	2,954,919	
Accounts payable and accrued liabilities	(3,368,481)	3,648,806
Interest receivable on the Queens Quay West Land Corporation Capital Account		24,569
	(5,981,781)	1,786,908
Investing activities:		
Investment in capital assets	(8,263)	
Queens Quay West Land Corporation Capital Account:		
Deposits	(150,000)	(300,000)
Withdrawals	302,092	274,320
	143,829	(25,680)
Financing and capital activities:		
Loans from Canada	20,700,000	10,400,000
Contributions to Harbourfront Centre	(9,250,000)	(9,300,000)
Period development and other public infrastructure costs		(231,428)
Payments to City of Toronto		(2,600,000)
Deferred development costs		(2,998,173)
Receivable from developers		1,635,195
	11,450,000	(3,094,406)
Increase (decrease) in cash	5,612,048	(1,333,178)
Cash and short-term deposits, beginning of year	565,308	1,898,486
Cash and short-term deposits, end of year	6,177,356	565,308

See accompanying notes to consolidated financial statements.

QUEENS QUAY WEST LAND CORPORATION—*Continued*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 1994

1. The Corporation:

Queens Quay West Land Corporation continued under the *Canada Business Corporations Act* December 21, 1984, is a parent Crown corporation listed under Part I of Schedule III of the *Financial Administration Act*. The share capital of the Corporation is held by Her Majesty the Queen in Right of Canada ("Canada") as represented by the Minister Designate of Public Works and Government Services. Legislation dealing with the sale of the Corporation's assets and the subsequent dissolution of the Corporation received royal assent in November, 1991. The Corporation is exempt from corporate income tax.

The Corporation owns and operates, or operates on behalf of Canada, the Harbourfront site (the «Site») which totals approximately 100 acres and occupies a central position on the Toronto waterfront. The Corporation operates under a Management Agreement with Canada. Title to the lands which comprise the Site is held by Canada with the exception of parkland and public infrastructure conveyed to municipal governments, lands conveyed to developers and certain lands transferred to the Corporation by Canada.

The Corporation's mandate is to ensure the disposition of the Corporation's remaining assets, including its real estate assets, in an orderly fashion and the transfer of any resulting funds after payment of obligations, if any, to a public foundation known as the Harbourfront Foundation. The Harbourfront Foundation was formed to manage funds received and to make ongoing contributions to support the public programming activities of Harbourfront Centre.

Agreements with Canada permit the sale or conveyance by the Corporation of certain remaining real estate assets with the proceeds to be used to assist the Corporation in discharging its obligations. The Corporation has received significant financial support from Canada and continues to be dependent on Canada to ensure that the Corporation's obligations and commitments are met as they come due.

In addition to the related party transactions disclosed elsewhere in these consolidated financial statements, the Corporation enters into transactions with Canada and other Crown corporations in the normal course of business.

It is anticipated that QQWLC will be effectively wound up no later than June 30, 1995.

2. Development agreements:

In fulfilling its mandate, the Corporation has entered into agreements renegotiating certain existing contracts with developers and has negotiated agreements with various levels of government and other parties to provide for the relocation of two contemplated development projects from the south side of Queens Quay West in exchange for rights to certain commercial and residential developments on the north side of Queens Quay West, the conveyance of these south side properties as well as other properties to the City of Toronto ("City") as public space and the allocation of zoning rights to residual parcels for ultimate sale by the Corporation to third parties.

The financial impact of these agreements is significant to the financial position of the Corporation and can be summarized as follows:

Payments relating to site decommissioning and sewer relocation required by the agreements in the amount of $1,258,545 have been charged against the Corporation's Statement of Operations.

Amounts receivable from developers of $2,862,039 have been forgiven and charged against the Corporation's Statement of Operations.

Deferred development costs of $3,805,361 have been written off and charged against the Corporation's Statement of Operations.

The Corporation will receive net consideration of $390,085 for the net assets of its two subsidiaries.

The Corporation is contractually obligated for certain contingent liabilities concerning payments to the City for parks development, road expropriations and other indemnities which are expected to total no more than $320,000.

In addition, the following pro forma balance sheet reflects the impact as at March 31, 1994 of charging against the deficit the costs to the Corporation of the following provisions of the agreements, which are subject to the closing of the land exchanges and conveyances:

The Corporation has agreed to forgive a receivable due from a developer in the amount of $10,130,960 which has been charged against the deficit.

The Corporation has agreed to convey most of the Site to third parties and accordingly deferred development costs in the amount of $5,630,362 are charged against the deficit.

The Corporation has agreed to make payments of $2,400,000 to the City.

QUEENS QUAY WEST LAND CORPORATION—*Continued*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 1994—*Continued*

PRO FORMA CONSOLIDATED BALANCE SHEET
MARCH 31, 1994

ASSETS	1994
	$
Current assets:	
Cash and short-term investments	6,177,356
Other receivables and assets	1,078,224
	7,255,580
Non-current assets:	
Capital assets	32,335
Deferred development costs	414,948
	447,283
	7,702,863

LIABILITIES AND SHAREHOLDER'S DEFICIENCY	1994
	$
Current liabilities:	
Accounts payable and accrued liabilities	6,076,683
Loans from Canada	45,800,000
Shareholder's equity (deficiency):	
Share capital	1
Contributed capital	
Deficit	(44,173,821)
	(44,173,820)
Pro forma contingencies (Note (i))	
	7,702,863

(i) Pro forma contingencies:

Once the land exchanges and conveyances have closed, the Corporation will be contractually obligated for certain additional contingent liabilities concerning capital projects and other indemnities. The Corporation has estimated that payments made pursuant to these additional contingent liabilities are expected to total no more than $23.8 million.

3. Accounting policies:

These consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada. The significant accounting policies of the Corporation are as follows:

(a) Basis of consolidation:

These consolidated financial statements include the accounts of the Corporation and its subsidiaries.

(b) Revenue recognition:

Revenues from commercial activities are recognized as the related services are provided.

(c) Deferred development costs:

All development proceeds and costs directly attributable to a project are deferred until approval of the related development agreement is received from Canada or the project is transferred to a third party. Costs related to parkland and public infrastructure expected to be conveyed are deferred until title is passed to the appropriate local or regional governments.

Until 1994, deferred development proceeds, net of the related deferred development, parkland and public infrastructure costs no longer being deferred, were subsequently recorded in contributed capital. All other development and public infrastructure costs were charged to contributed capital as incurred.

With the reduction to zero of the contributed capital account in 1994, any costs related to development activities, parkland and public infrastructure no longer being deferred are recorded in the Statement of Operations.

(d) Contributions to Harbourfront Centre:

Operating and capital contributions to Harbourfront Centre, made at the request of Canada in its capacity as shareholder, are charged to contributed capital.

In 1994, contributions to Harbourfront Centre in excess of the balance in the contributed capital account, have been charged against the Corporation's deficit.

(e) Capital assets:

Capital assets are recorded at cost. Amortization is calculated on the straight-line basis over the estimated useful life of each asset. Transfers of land to the Corporation from Canada, required to facilitate certain development agreements, are recorded at a nominal cost.

4. Capital assets:

	1994	1993
	$	$
Land and buildings	1	1
Equipment	657,429	649,165
	657,430	649,166
Less: accumulated amortization	625,095	565,547
	32,335	83,619

QUEENS QUAY WEST LAND CORPORATION—*Concluded*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 1994—*Concluded*

5. Loans from Canada:

The Corporation borrows from the Consolidated Revenue Fund under certain terms and conditions to fund its operations and its financial contributions to Harbourfront Centre. Loans from Canada bear interest at rates varying from 4.56% to 10.46% (1993—6.14% to 10.46%) maturing at various times up to April 29, 1996.

Subsequent to year end, the Corporation renegotiated the loan facilities with Canada. In accordance with the revised terms, effective April 1, 1994, the loans become non-interest bearing and due and payable on March 31, 2004.

Upon the disposition of any real property, the Corporation must use the net proceeds realized to repay the loans to the extent possible. Each loan is secured by a debenture of the Corporation in favour of the Receiver General of Canada. The Corporation may prepay the loan principal at any time without penalty upon fourteen days' prior notice.

Interest accrued to March 31, 1994 in the amount of $991,094 (1993—$632,137) is included in accounts payable and accrued liabilities.

6. Share capital:

The authorized share capital of the Corporation consists of 500,000 (1993—500,000) common shares without par value of which 215,500 (1993—215,500) shares are issued and fully paid for consideration of $1 (1993—$1).

7. Realty taxes:

The Corporation's accrual for realty taxes for the years 1988 to 1993 was reversed in 1994 as grants in lieu were paid to the City of Toronto by the Crown.

8. Contributions to Harbourfront Centre:

Operating contributions ($8,000,000; 1993—$8,800,000) and capital contributions ($1,250,000; 1993—$500,000) to Harbourfront Centre totaling $9,250,000 (1993—$9,300,000) have been accounted for as charges to Contributed Capital of $6,755,151 (1993—$9,300,000) and to Deficit of $2,494,849 (1993—$0).

ROYAL CANADIAN MINT

MANAGEMENT REPORT

The financial statements contained in this annual report have been prepared by Management in accordance with generally accepted accounting principles in Canada, conforming with International Accounting Standards, and the integrity and objectivity of the data in these financial statements are Management's responsibility. Management is also responsible for all other information in the annual report and for ensuring that this information is consistent, where appropriate, with the information and data contained in the financial statements.

In support of its responsibility, Management has developed and maintains books of account, records, financial and management controls, information systems and management practices. These are designed to provide reasonable assurance as to the reliability of financial information, that assets are safeguarded and controlled, and that transactions are in accordance with the *Financial Administration Act* and regulations as well as the *Royal Canadian Mint Act* and by-laws of the corporation.

The Board of Directors is responsible for ensuring that Management fulfills its responsibilities for financial reporting and internal control. The Board exercises its responsibilities through the Audit Committee which includes a majority of members who are not officers of the corporation. The Committee meets with Management, internal audit staff and the independent external auditor to review the manner in which these groups are performing their responsibilities and to discuss auditing, internal controls and other relevant financial matters. The Audit Committee has reviewed the financial statements with the external auditor and has submitted its report to the Board of Directors. The Board of Directors has reviewed and approved the financial statements.

The corporation's external auditor, the Auditor General of Canada, audits the financial statements and reports to the Minister responsible for the Royal Canadian Mint.

Ruth Hubbard
President and Master of the Mint

J. E. Uberig
Vice-President, Administration and Finance

AUDITOR'S REPORT

TO THE MINISTER OF SUPPLY AND SERVICES

I have audited the balance sheet of the Royal Canadian Mint as at December 31, 1993 and the statements of operations and retained earnings and changes in financial position for the year then ended. These financial statements are the responsibility of the corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards in Canada, conforming with International Standards on Auditing. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the corporation as at December 31, 1993 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles in Canada, conforming with International Accounting Standards. As required by the *Financial Administration Act*, I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the corporation that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Royal Canadian Mint Act* and by-laws of the corporation.

L. Denis Desautels, FCA
Auditor General of Canada

Ottawa, Canada
February 24, 1994

ROYAL CANADIAN MINT—*Continued*

BALANCE SHEET AS AT DECEMBER 31, 1993
(in thousands of dollars)

ASSETS	1993	1992
Current		
Cash and short-term investments	22,929	13,412
Accounts receivable	3,710	14,896
Prepaid expenses	897	425
Inventories (Note 3)	19,991	28,308
	47,527	57,041
Property, plant and equipment (Note 4)	45,234	45,641
	92,761	102,682

LIABILITIES	1993	1992
Current		
Accounts payable	10,640	15,627
Current portion of loans from Canada (Note 5)	2,673	2,673
Deferred revenues	1,455	4,455
	14,768	22,755
Long-term		
Loans from Canada (Note 5)	2,848	5,521
Provision for employee termination benefits	6,054	6,068
	8,902	11,589
SHAREHOLDER'S EQUITY		
Share capital (authorized and issued, 4,000 non-transferable shares)	40,000	40,000
Retained earnings	29,091	28,338
	69,091	68,338
	92,761	102,682

Approved by Management:

RUTH HUBBARD
President and Master of the Mint

J. E. UBERIG
Vice-President, Administration and Finance

Approved by the Board of Directors:

J. C. CORKERY
Chairman

ROYAL CANADIAN MINT—*Continued*

STATEMENT OF OPERATIONS AND RETAINED EARNINGS
FOR THE YEAR ENDED DECEMBER 31, 1993
(in thousands of dollars)

	1993	1992
Revenues	355,538	377,002
Cost of goods sold	312,763	330,658
Gross Profit	42,775	46,344
Other expenses		
Marketing	22,830	24,469
Administration	10,532	9,766
Depreciation	2,820	3,032
	36,182	37,267
Income from operations	6,593	9,077
Interest income	1,256	969
Interest expense on loans from Canada	(663)	(953)
Income before income tax	7,186	9,093
Income tax (Note 6)	133	135
Net income	7,053	8,958
Retained earnings, beginning of year	28,338	20,030
Dividend	(6,300)	(650)
Retained earnings, end of year	29,091	28,338

STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED DECEMBER 31, 1993
(in thousands of dollars)

	1993	1992
Operating activities		
Net income	7,053	8,958
Item not affecting funds:		
Depreciation	2,820	3,032
	9,873	11,990
Net change in non-cash working capital	11,044	(7,445)
Increase (decrease) in provision for employee termination benefits	(14)	3
	20,903	4,548
Investing activities		
Additions to property, plant and equipment	(2,413)	(1,193)
Financing activities		
Repayment of loans from Canada	(2,673)	(2,673)
Dividend	(6,300)	(650)
	(8,973)	(3,323)
Increase in cash	9,517	32
Cash and short-term investments, beginning of year	13,412	13,380
Cash and short-term investments, end of year	22,929	13,412

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1993

1. Authority and objectives

The Mint was incorporated in 1969 by the *Royal Canadian Mint Act* and is an agent corporation of Her Majesty named in Part II of Schedule III to the *Financial Administration Act*. The objectives of the Mint are to mint coins in anticipation of profit and to carry out other related activities.

The Mint may borrow money from the Consolidated Revenue Fund or any other source, subject to the approval of the Minister of Finance with respect to the time and the terms and conditions, but the aggregate of the amounts loaned to the Mint and outstanding at any time shall not exceed $50 million.

2. Significant accounting policies

(a) *Inventories*

Raw materials and supplies are valued at the lower of cost and replacement cost, cost being determined by the average cost method. Work in process and finished goods are valued at the lower of cost and net realizable value, cost being determined by the average cost method.

(b) *Property, plant and equipment*

Property, plant and equipment are recorded at cost and depreciated under the straight-line method at the following annual rates:

Land improvements	21/2%
Buildings	21/2%
Equipment	10%

(c) *Deferred revenues*

Payments received in advance on sales are not recognized as revenue until the products are shipped.

(d) *Employee termination benefits*

Employees are entitled to specific termination benefits as provided under their collective agreement and terms of employment. The liability for these benefits is charged to income as benefits accrue to the employees.

(e) *Pension plan*

Employees participate in the Public Service Superannuation Plan, which is administered by the Government of Canada. The corporation's contributions to the Plan are limited to an amount equal to the employees' contributions on account of current services and are charged to operations on a current basis. The corporation is not required to make contributions with respect to actuarial deficiencies of the Public Service Superannuation Account.

3. Inventories

	1993	1992
	(in thousands of dollars)	
Raw materials	4,219	13,762
Work in process	5,253	5,220
Finished goods	7,241	5,620
Supplies	3,278	3,706
	19,991	28,308

ROYAL CANADIAN MINT—*Concluded*

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1993—*Concluded*

In order to facilitate the production of precious metal coins, the Mint borrows the quantity of gold, platinum and silver required and pays interest based on the value of these metals established on the commodity markets. As at December 31, 1993, 575,200 ounces of gold, 2,216,321 ounces of silver and 19,191 ounces of platinum were borrowed and are not reflected in these statements.

4. Property, plant and equipment

	1993			1992
	Cost	Accumulated depreciation	Net book value	Net book value
	(in thousands of dollars)			
Land	3,226		3,226	3,226
Land improvements	914	613	301	315
Buildings	44,054	12,612	31,442	32,343
Equipment	35,241	24,976	10,265	9,757
	83,435	38,201	45,234	45,641

5. Loans from Canada

These loans bear interest at various annual rates ranging from 8.25% to 12.00% and are repayable in annual instalments of \$2,673,065 until 1995, \$76,115 in 1996 and 1997 and \$22,265 in 1998.

6. Income tax

The corporation's 1993 income tax relates solely to the large corporations tax. The corporation's expected income tax rate is the net federal statutory rate (including surtax) of 38.8% less the manufacturing and processing deduction of 6%. The 1993 and 1992 effective tax rate is zero, exclusive of the large corporations tax, due to the utilization by the corporation of differences between the tax and accounting values of the assets at the date it became subject to income tax. The differences, which are available to reduce future years' taxable income, amount to approximately \$27.8 million (1992—\$35.0 million). The corporation is not subject to provincial income taxes.

7. Related party transactions

Transactions with the Department of Finance related to the borrowing, refining and purchasing of gold were conducted in the normal course of business, under the same terms and conditions that apply to unrelated parties. Transactions with the Department of Finance related to the production and delivery of Canadian circulation coins are generally carried out on a cost plus basis.

8. Contingency

In 1992, the Mint established an arrangement with the Department of Finance to provide holders of Canadian numismatic coins with a facility to exchange them at their face value. Losses under this arrangement are determined by the difference between the face value of coins received by the Mint and the net value of metals recovered and are shared equally between the Mint and the Department of Finance. Due to the uncertainty regarding the number of coins that will be submitted under this exchange agreement, the Mint cannot at this time determine its exposure to loss. To December 31, 1993, the loss is not significant. Future losses, if any, will be accounted for in the year the coins are received.

9. Privatization

The Government conducted a review in 1992-93 to determine whether it was appropriate and practical to privatize the corporation. The Government concluded that it would not privatize the Mint.

SAINT JOHN PORT CORPORATION

AUDITORS' REPORT

TO THE HONOURABLE DOUGLAS YOUNG, P.C., M.P.
MINISTER OF TRANSPORT

We have audited the balance sheet of the Saint John Port Corporation as at December 31, 1993 and the statements of income and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 1993 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Further, in our opinion, the transactions of the Corporation that have come to our notice during our examination of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Canada Ports Corporation Act* and the by-laws of the Corporation.

Ernst & Young
Chartered Accountants

Saint John, Canada
February 3, 1994

BALANCE SHEET AS AT DECEMBER 31, 1993
(in thousands of dollars)

ASSETS	1993	1992
Current		
Cash	157	54
Investments (Note 3)	1,098	4,129
Accounts receivable	759	1,085
Materials and supplies	8	18
	2,022	5,286
Long-term		
Long-term investments (Note 3)	973	969
Fixed assets (Note 4)	81,525	82,195
	82,498	83,164
Total assets	84,520	88,450

LIABILITIES AND EQUITY OF CANADA	1993	1992
Current		
Accounts payable and accrued charges	1,349	1,780
Deferred revenues	288	345
Grants in lieu of municipal taxes	447	69
	2,084	2,194
Long-term		
Loans from Canada (Note 5)	18,052	20,052
Financing provided by a province (Note 6)	19,696	19,696
Accrued employee benefits	445	564
	38,193	40,312
	40,277	42,506
EQUITY OF CANADA		
Contributed capital	44,462	44,462
Retained earnings (deficit)	(219)	1,482
	44,243	45,944
Total liabilities and equity of Canada	84,520	88,450

See accompanying notes.

On behalf of the Board:

HARRY P. GAUNCE
Chairman of the Board

KENNETH R. KRAUTER
General Manager and Chief Executive Officer

SAINT JOHN PORT CORPORATION—*Continued*

STATEMENT OF INCOME AND RETAINED EARNINGS
FOR THE YEAR ENDED DECEMBER 31, 1993
(in thousands of dollars)

	1993	1992
Revenues from operations	11,669	11,459
Expenses		
Operating and administrative	7,911	6,720
Depreciation	2,716	2,721
Grants in lieu of municipal taxes	577	657
Loss on disposal of fixed assets	278	132
	11,482	10,230
Income from operations	187	1,229
Investment income	383	535
Interest expense	(2,271)	(1,605)
Net income (loss)	(1,701)	159
Retained earnings, beginning of year	1,482	1,323
Retained earnings (deficit), end of year	(219)	1,482

See accompanying notes.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 1993
(in thousands of dollars)

	1993	1992
Cash provided by (used in)		
Operations		
Net income (loss)	(1,701)	159
Add items not requiring a cash payment		
Depreciation	2,716	2,721
Loss on disposal of fixed assets	278	132
Other	(23)	(6)
	1,270	3,006
Net change in non-cash working capital balances (Note 7)	226	(656)
	1,496	2,350
Financing		
Capital grants	315	500
Repayment of loan to Canada	(2,000)	
	(1,685)	500
Investing		
Additions to fixed assets	(2,752)	(3,277)
Long-term investments		521
Proceeds on disposal of fixed assets	13	11
	(2,739)	(2,745)
Increase (decrease) in cash	(2,928)	105
Cash position, beginning of year	4,183	4,078
Cash position, end of year	1,255	4,183

Cash position consists of cash and short-term investments.
See accompanying notes.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1993

1. *CANADA PORTS CORPORATION ACT* AND INCORPORATION

In accordance with the *Canada Ports Corporation Act*, a petition for the establishment of a local port corporation at the Port of Saint John was approved and the Saint John Port Corporation was incorporated under the laws of Canada effective at the closing of business on December 31, 1986 and commenced operations January 1, 1987.

In accordance with the *Canada Ports Corporation Act*, the assets, liabilities and equity were transferred to the Saint John Port Corporation at their carrying values in the accounts of the Canada Ports Corporation—Port of Saint John.

2. SIGNIFICANT ACCOUNTING POLICIES

Investments

The investments are shown at amortized cost whereby premiums or discounts from par value are amortized over the periods to maturity.

Fixed assets

Fixed assets are recorded at cost except for those transferred to the Corporation from Canada which are recorded at appraised or fair market value established at the time of transfer. Grants towards capital projects received from Canada and from third parties are deducted from the cost of the related fixed assets.

Depreciation is calculated on the straight-line basis for the full year, commencing with the year the asset becomes operational using rates as follows:

Asset	Depreciation Rates %
Dredging	2.5-6.7
Berthing structures	2.5-10.0
Buildings	2.5-10.0
Utilities	3.3-10.0
Roads and surfaces	2.5-10.0
Machinery and equipment	5.0-100.0
Office furniture and equipment	20.0

Pension costs

All permanent employees of the Corporation are covered by the Public Service Superannuation Plan administered by Canada. Contributions to the plan are required from both the employees and the Corporation. The annual contributions represent the liability of the Corporation for pensions and are recognized in the accounts on a current basis.

Grants in lieu of municipal taxes

The expense for grants in lieu of municipal taxes is based on estimated municipal assessments adjusted in accordance with the *Municipal Grants Act*. Any adjustments upon finalization are reflected in the accounts in the year of settlement.

Employee benefits

The Corporation accrues in its accounts, annually, the estimated liabilities for severance pay and annual leave which are payable to its employees in subsequent years under its collective agreements or in accordance with its policy.

SAINT JOHN PORT CORPORATION—*Concluded*

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1993—*Concluded*

3. INVESTMENTS

Investments are direct and guaranteed securities of Canada as follows:

	1993		1992	
	Amortized cost	Face value	Amortized cost	Face value
	(in thousands of dollars)			
Canada Treasury Bills	1,098	1,100	4,129	4,181
Canada Bonds	973	1,000	969	1,000

4. FIXED ASSETS

	1993		1992	
	Cost	Accumulated depreciation	Cost	Accumulated depreciation
	(in thousands of dollars)			
Land	31,715		31,704	
Dredging	2,115	1,581	2,115	1,558
Berthing structures	66,327	34,711	64,874	33,245
Buildings	16,496	6,201	16,923	6,267
Utilities	8,517	4,936	8,538	4,602
Roads and surfaces	7,445	5,095	7,079	4,808
Machinery and equipment	995	558	1,012	612
Office furniture and equipment	1,391	1,236	1,326	1,157
Work under construction	842		873	
	135,843	54,318	134,444	52,249
Accumulated depreciation	54,318		52,249	
Net book value	81,525		82,195	

5. LOANS FROM CANADA

	1993	1992
	(in thousands of dollars)	
Term loans bearing interest at 11.0% to 12.43% maturing between December 31, 1998 and 2005	18,052	20,052

6. FINANCING PROVIDED BY A PROVINCE

The Province of New Brunswick advanced $25,000,000 to partially finance the construction of Rodney Terminal Complex, Saint John. The Province will receive annual principal payments equal to approximately 47% of the net operating income of the terminal until the non-interest bearing advance is repaid. The cost of major repairs has been included in calculating the net operating income of the terminal and the current portion payable as at December 31, 1993 has been calculated accordingly. The province is disputing this accounting treatment. Had net operating income not been reduced by the cost of these major repairs, the current portion payable would be approximately $394,000.

7. NET CHANGE IN NON-CASH WORKING CAPITAL BALANCES

	1993	1992
	(in thousands of dollars)	
Decrease (increase) in current assets		
Accounts receivable	326	215
Materials and supplies	10	8
	336	223
Increase (decrease) in current liabilities		
Accounts payable and accrued charges	(431)	(129)
Deferred revenues	(57)	14
Grants in lieu of municipal taxes	378	(51)
Current portion of deferred interest contribution		(713)
	(110)	(879)
	226	(656)

8. RELATED PARTY TRANSACTIONS

During the year the Corporation paid $761,000 (1992—$822,000) to Canada Ports Corporation as its share of that Corporation's head office expense.

During the year the Corporation also paid $796,960 (1992—$177,980) to Canada Ports Corporation for the provision of protective services.

ST. JOHN'S PORT CORPORATION

AUDITORS' REPORT

TO THE HONOURABLE DOUGLAS YOUNG, P.C., M.P.
MINISTER OF TRANSPORT

We have audited the balance sheet of St. John's Port Corporation as at December 31, 1993 and the statements of earnings and surplus and changes in financial position for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 1993 and the results of its operations and changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Further, in our opinion, the transactions of the Corporation that have come to our notice during our examination of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Canada Ports Corporation Act* and the bylaws of the Corporation.

Doane Raymond
Chartered Accountants

St. John's, Canada
January 28, 1994

BALANCE SHEET AS AT DECEMBER 31, 1993

ASSETS	1993	1992
	$	$
Current		
Cash	14,407	118,071
Investments (Note 3)	2,297,531	1,970,283
Accounts receivable	487,756	717,783
	2,799,694	2,806,137
Fixed (Note 4)	13,457,811	14,113,623
	16,257,505	16,919,760

LIABILITIES	1993	1992
	$	$
Current		
Accounts payable and accrued liabilities	265,281	229,346
Grants in lieu of municipal taxes	197,093	234,194
Deferred revenues	296,936	377,123
Current portion of loan from Canada		97,060
	759,310	937,723
Accrued employee benefits	128,717	114,899
Loan from Canada (Note 5)		986,242
	888,027	2,038,864
EQUITY OF CANADA		
Contributed capital	10,131,636	10,131,636
Surplus	5,237,842	4,749,260
	15,369,478	14,880,896
	16,257,505	16,919,760

Contingencies (Note 7).
See accompanying notes.

On behalf of the Board:

FRED M. MILLEY
Chairman of the Board

DAVID J. FOX, P. Eng.
Port Manager and Chief Executive Officer

ST. JOHN'S PORT CORPORATION—*Continued*

STATEMENTS OF EARNINGS AND SURPLUS
FOR THE YEAR ENDED DECEMBER 31, 1993

	1993	1992
	$	$
Revenue from operations	3,287,036	3,495,532
Operating and administrative expenses	1,910,282	1,886,029
Depreciation	879,549	892,957
Grants in lieu of municipal taxes	73,108	82,839
	2,862,939	2,861,825
Earnings from operations	424,097	633,707
Investment income	102,928	226,941
Interest expense	(22,984)	(206,058)
Net earnings	504,041	654,590
Surplus, beginning of year	4,749,260	4,126,982
Net earnings	504,041	654,590
Dividend to Canada	(15,459)	(32,312)
Surplus, end of year	5,237,842	4,749,260

See accompanying notes.

STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED DECEMBER 31, 1993

	1993	1992
	$	$
Cash derived from (applied to)		
Operating		
Net earnings	504,041	654,590
Depreciation	879,549	892,957
Other non-cash items	13,818	(38,776)
	1,397,408	1,508,771
Change in non-cash operating working capital (Note 6)	11,666	(219,918)
	1,409,074	1,288,853
Financing		
Change in construction payables	39,948	(54,014)
Loans from Canada	(986,242)	(1,419,864)
	(946,294)	(1,473,878)
Investing		
Purchase of fixed assets	(224,087)	(993,009)
Disposal of fixed assets	350	16,091
	(223,737)	(976,918)
Dividend to Canada	(15,459)	(32,312)
Net increase (decrease) in cash	223,584	(1,194,255)
Cash and short term investments		
Beginning of year	2,088,354	3,282,609
End of year	2,311,938	2,088,354

See accompanying notes.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1993

1. LOCAL PORT CORPORATION

In accordance with the *Canada Ports Corporation Act*, a petition for the establishment of a local port corporation at the Port of St. John's was approved and the St. John's Port Corporation was established effective June 1, 1985.

In accordance with the *Canada Ports Corporation Act*, the assets, liabilities and equity were transferred at their carrying values in the accounts of the Canada Ports Corporation—Port of St. John's to the St. John's Port Corporation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments

The investments, which are direct and guaranteed securities of Canada, are shown at amortized cost. Premiums or discounts are amortized over the periods to maturity.

Fixed assets

Fixed assets are recorded at cost, except for those transferred to the Corporation from Canada, which are recorded at appraised or fair market value established at the time of transfer. Grants towards capital projects received from Canada and from third parties are deducted from the cost of the related fixed assets.

Depreciation

Depreciation is recorded on the straight-line basis for the full year, commencing with the year the asset becomes operational, using rates as follows:

Berthing structures	2.5-10%
Buildings	2.5-10%
Utilities	3.3-10%
Roads and surfaces	2.5-10%
Machinery and equipment	5-100%
Office furniture and equipment	20%

Pension costs

All permanent employees of the Corporation are covered by the Public Service Superannuation Plan administered by Canada. Contributions to the plan are required from both the employees and the Corporation. The annual contributions for pensions are recognized in the accounts on a current basis.

Grants in lieu of municipal taxes

The expense for grants in lieu of municipal taxes is based on estimated municipal assessments adjusted in accordance with the *Municipal Grants Act*. Grants are paid after the amounts have been audited by the Municipal Grants Division of Public Works and Government Services Canada. Any adjustments upon finalization are reflected in the accounts in the year of settlement.

Employee benefits

The Corporation accrues in its accounts, annually, the estimated liabilities for severance pay, annual leave and overtime compensatory leave, which are payable to its employees in subsequent years in accordance with its policy.

ST. JOHN'S PORT CORPORATION—*Concluded*

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1993—*Concluded*

3. INVESTMENTS

	1993		1992	
	Amortized cost	Face amount	Amortized cost	Face amount
	$	$	$	$
Short term	2,297,531	2,336,700	1,970,283	2,006,600

4. FIXED ASSETS

	1993			1992
	Cost	Accumulated depreciation	Net book value	Net book value
	$	$	$	$
Land	4,735,248		4,735,248	4,735,248
Berthing structures	10,926,843	6,703,260	4,223,583	4,534,366
Buildings	1,914,247	1,461,306	452,941	500,805
Utilities	3,367,189	1,389,839	1,977,350	2,100,027
Roads and surfaces	4,019,840	2,337,953	1,681,887	1,999,632
Machinery and equipment	357,918	156,711	201,207	172,920
Office furniture and equipment	294,758	221,209	73,549	65,191
Projects under construction	112,046		112,046	5,434
	25,728,089	12,270,278	13,457,811	14,113,623

5. LOAN FROM CANADA

	1993	1992
	$	$
Term loan, bearing interest at 9.33%, maturing December 31, 2000, repaid during the year.		1,083,302
Less: Current portion		97,060
		986,242

The loan from Canada is unsecured.

6. CHANGE IN NON-CASH OPERATING WORKING CAPITAL

	1993	1992
	$	$
Accounts receivable	230,027	(206,045)
Accounts payable and accrued liabilities	(4,013)	42,686
Grants in lieu of municipal taxes	(37,101)	95,157
Deferred revenues	(80,187)	15,913
Current portion of loan from Canada	(97,060)	(167,629)
	11,666	(219,918)

7. CONTINGENT LIABILITIES

Claims aggregating approximately $364,000 arising from alleged damages suffered on the Corporation's property have been received by the Corporation. The Corporation is a third party defendant, and has denied any liability, and no material loss is anticipated.

8. RELATED PARTY TRANSACTIONS

During the year the Corporation paid $232,008 (1992—$248,746) and $224,202 (1992—$172,890) to Canada Ports Corporation as its share of that Corporation's head office expense and police services respectively.

THE ST. LAWRENCE SEAWAY AUTHORITY

AUDITOR'S REPORT

TO THE MINISTER OF TRANSPORT

I have audited the balance sheet of The St. Lawrence Seaway Authority as at March 31, 1994 and the statements of operations, deficit and changes in financial position for the year then ended. These financial statements are the responsibility of the Authority's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Authority as at March 31, 1994 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles. As required by the *Financial Administration Act*, I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Authority that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *St. Lawrence Seaway Authority Act* and regulations, and the by-laws of the Authority.

D. Larry Meyers, FCA
Deputy Auditor General
for the Auditor General of Canada

Ottawa, Canada
May 13, 1994

BALANCE SHEET AS AT MARCH 31, 1994
(in thousands of dollars)

ASSETS	1994	1993
Current		
Cash and term deposits	22,120	19,828
Accounts receivable	5,693	16,580
Accrued interest receivable	1,004	1,299
Supplies inventory	2,439	2,389
	31,256	40,096
Long-term		
Investments (Note 3)	27,846	29,086
Mortgages and other receivables (Note 4)	341	196
Investment in wholly-owned Crown Corporations (Note 5)	10	10
Capital assets (Notes 6 and 7)	518,317	523,708
	577,770	593,096

LIABILITIES	1994	1993
Current		
Accounts payable and accrued liabilities	10,996	17,085
Large corporations tax payable (Note 9)	552	4,957
	11,548	22,042
Long-term		
Accrued employee termination benefits (Note 3)	12,148	12,975
	23,696	35,017
Commitments and contingencies (Notes 10 and 11)		
Major restoration of the Seaway (Note 12)		
EQUITY OF CANADA		
Contributed capital (Note 8)	624,950	624,950
Deficit	(70,876)	(66,871)
	554,074	558,079
	577,770	593,096

Approved:

G.R. STEWART
President

C. LEMELIN
Comptroller and Treasurer

THE ST. LAWRENCE SEAWAY AUTHORITY—*Continued*

STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 1994
(in thousands of dollars)

	1994					1993
	Montreal-Lake Ontario Section	Welland Section	Total Seaway	Thousand Islands Bridge	Total	Total
Revenues						
Tolls	28,911	30,349	59,260		59,260	56,240
Leases and licenses	863	5,502	6,365	933	7,298	5,374
Others	3,136	848	3,984	1,334	5,318	5,655
	32,910	36,699	69,609	2,267	71,876	67,269
Expenses						
Operations, Maintenance and Engineering	19,941	28,183	48,124	241	48,365	46,809
Administration	4,007	3,767	7,774	62	7,836	9,120
Headquarters	3,649	4,686	8,335	74	8,409	9,064
Amortization	6,007	6,631	12,638	199	12,837	12,884
Employee termination benefits	545	584	1,129		1,129	1,544
	34,149	43,851	78,000	576	78,576	79,421
Income (loss) from operations	(1,239)	(7,152)	(8,391)	1,691	(6,700)	(12,152)
Investment income	1,788	2,295	4,083	444	4,527	4,779
Income (loss) before large corporations tax	549	(4,857)	(4,308)	2,135	(2,173)	(7,373)
Large corporations tax	791	1,016	1,807	25	1,832	1,498
Net income (loss) for the year	(242)	(5,873)	(6,115)	2,110	(4,005)	(8,871)

STATEMENT OF DEFICIT
FOR THE YEAR ENDED MARCH 31, 1994
(in thousands of dollars)

	1994			1993
	Seaway	Thousand Islands Bridge	Total	Total
Retained earnings (deficit), beginning of the year	(81,579)	14,708	(66,871)	(58,000)
Net income (loss) for the year	(6,115)	2,110	(4,005)	(8,871)
Retained earnings (deficit), end of the year	(87,694)	16,818	(70,876)	(66,871)

THE ST. LAWRENCE SEAWAY AUTHORITY—*Continued*

STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED MARCH 31, 1994
(in thousands of dollars)

	1994			1993
	Seaway	Thousand Islands Bridge	Total	Total
Operating Activities				
Cash provided from Operations				
Net income (loss) for the year	(6,115)	2,110	(4,005)	(8,871)
Items not requiring cash				
Amortization	12,638	199	12,837	12,884
Provision for termination benefits	1,129		1,129	1,543
Profit on disposal of capital assets	(1,302)		(1,302)	(1,986)
	6,350	2,309	8,659	3,570
Net change in working capital components other than cash and term deposits	2,180	(1,542)	638	(5,233)
Payment of termination benefits	(1,956)		(1,956)	(1,468)
Cash provided by (used in) operating activities	6,574	767	7,341	(3,131)
Financing Activities				
Funding from Federal Government for				
Valleyfield Bridge Rehabilitation Program				8,429
Welland Canal Rehabilitation Program				29,000
Cash provided by financing activities				37,429
Investing Activities				
Increase in long-term receivables	(145)		(145)	(150)
Transfer of Investments to Short Term	1,240		1,240	2,967
Increase in capital assets	(6,988)	(767)	(7,755)	(42,617)
Proceeds from disposal of capital assets	1,611		1,611	2,324
Cash used in investing activities	(4,282)	(767)	(5,049)	(37,476)
Increase (Decrease) in cash	2,292		2,292	(3,178)
Cash and term deposits at beginning of year	19,828		19,828	23,006
Cash and term deposits at end of year	22,120		22,120	19,828
Working capital position at end of year				
Current assets	31,255		31,255	40,096
Current liabilities	22,611	(11,062)	11,549	22,042
	8,644	11,062	19,706	18,054

THE ST. LAWRENCE SEAWAY AUTHORITY—*Continued*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1994

1. Authority and objectives

The St. Lawrence Seaway Authority was established in 1954 under the *St. Lawrence Seaway Authority Act* and is classified as a parent Crown corporation under Schedule III Part I of the *Financial Administration Act*.

The Authority was established to construct and operate a deep waterway between the Port of Montreal and Lake Erie together with such works and other property, including bridges incidental to the deep waterway, as deemed necessary by the Governor in Council.

The *St. Lawrence Seaway Authority Act* confers upon the Authority the powers to borrow money and to produce revenue by levying tolls for the use of the deep waterway. The tolls that may be charged shall be fair and reasonable and designed to provide a revenue sufficient to defray the cost to the Authority of its operations in carrying out the purposes for which it is incorporated, which costs shall include:

(a) payments in respect to the interest on amounts borrowed by the Authority to carry out those purposes;

(b) amounts sufficient to amortize the principal of those amounts over a period not exceeding fifty years; and

(c) the cost of operating and maintaining the canals and works under the administration of the Authority, including all operating costs of the Authority and such reserves as may be approved by the Minister.

Under the *St. Lawrence Seaway Authority Act*, tolls may be established by filing with the National Transportation Agency or by agreement between Canada and the United States. This agreement between the two countries is in the form of an exchange of notes in accordance with directions given by the Governor in Council.

2. Accounting policies

The financial statements have been prepared in accordance with accounting principles generally accepted in Canada. A summary of significant accounting policies follows:

(a) Supplies inventory

Supplies inventory comprises equipment and supplies used in the operation and maintenance of the Seaway and is recorded at cost.

(b) Wholly-owned Crown corporations

The Authority does not have the right and ability to obtain future economic benefits from the resources of two wholly-owned subsidiaries for purposes of the *Financial Administration Act* and the Authority is not exposed to the related risks. The investment in these two corporations, The Jacques Cartier and Champlain Bridges Incorporated and Great Lakes Pilotage Authority, Ltd., is recorded at cost.

The Authority also owns all the shares of The Seaway International Bridge Corporation, Ltd., a subsidiary for purposes of the *Financial Administration Act*. However, this is effectively a joint venture with the Saint Lawrence Seaway Development Corporation since, based on an agreement, earnings after certain initial costs are repaid, will be divided equally. As a result the investment is accounted for using the equity method.

(c) Capital assets

Capital assets are recorded at cost. Replacements and major improvements which increase the capacity of the deep waterway system or extend the estimated useful lives of existing assets are capitalized. Repairs and maintenance are charged to operations as incurred. The cost of assets sold, retired, or abandoned, and the related accumulated amortization are removed from the accounts on disposal. Gains or losses on disposals are credited or charged to operations.

Amortization is recorded using the straight-line method based on the estimated useful lives of the assets.

(d) Welland Canal and Valleyfield Bridge Rehabilitation Programs

Funding received from the Government of Canada for these programs is accounted for by crediting the amount against the cost of related capital projects undertaken during the year. The non-funded remaining cost, which is to be recovered from the users, is capitalized and amortized.

(e) Employee termination benefits

Employees of the Authority are entitled to specified benefits on termination as provided for under labour contracts and conditions of employment. The liability for these benefits is recorded in the accounts as the benefits accrue to employees.

(f) Pension plan

All employees of the Authority are covered by the Public Service Superannuation Plan administered by the Government of Canada. Contributions to the Plan are required from both the employee and the Authority. These contributions represent the total liability of the Authority and are recognized in the accounts on a current basis.

The Authority is not required under present legislation to make contributions with respect to actuarial deficiencies of the Public Service Superannuation Account.

(g) Employee life insurance plan

The Authority provides a life insurance plan for its employees. Surpluses and deficits from the plan are included in revenues and/or expenses in the year in which they are incurred.

(h) Insurance

The Authority assumes substantially all risks in relation to compensation and damages to its locks. For all other assets the Authority carries conventional insurance.

(i) Thousand Islands Bridge

In September 1976, the Minister of Transport entrusted the Authority with the management and operation of the Thousand Islands Bridge, while the real property was vested in the name of Her Majesty in Right of Canada. Subsequent capital expenditures made by the Authority to improve the Bridge have been recorded as capital assets. The retained earnings of the Bridge represent its cumulative earnings since September 1976.

These financial statements have segregated the operations of the Thousand Islands Bridge on the premise that its management and operation by the Authority is independent of Seaway operations.

THE ST. LAWRENCE SEAWAY AUTHORITY—*Continued*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1994—*Continued*

(j) Incentive toll program

The Authority offers toll rebates on certain cargoes to promote increased traffic, and thus increase revenues. The rebates are debited to toll revenues earned during the year.

3. Long-term investments

In order to provide for future operating requirements, including emergencies and cash deficits, of the St. Lawrence Seaway and for future employee termination benefits, the Authority has set aside the following long-term investments:

	1994	1993
	(in thousands of dollars)	
Operating Requirements:		
Government of Canada Bonds, maturing on varying dates up to 1995	6,086	6,086
Par value $6,000 (1993—$6,000)		
Market value $6,180 (1993—$6,336)		
Investment Certificate and Canada Treasury Bills maturing March 1995	8,760	10,000
	14,846	16,086
Termination benefits:		
Deposit with Consolidated Revenue Fund, maturing April 1994	13,000	13,000
	27,846	29,086

4. Long-term mortgages and other receivables

The Authority has entered into long-term mortgages and a contractual agreement for the sale of parcels of land. The long-term receivables outstanding at March 31 are as follows:

	1994	1993
	(in thousands of dollars)	
Contractual Agreement		
5½% interest, recoverable in annual instalments of $28,000, maturing in 1995		21
Mortgages		
8 to 9% interest, recoverable in monthly payments amortized over terms not exceeding 20 years renewable every 2 and 3 years	166	175
Deferred portion of bridge user charge from The Seaway International Bridge Corp. Ltd. Interest varying based on Canada Treasury Bills, with no set repayment schedule.	175	
	341	196

5. Wholly-owned Crown corporations and related parties transactions

Investments consist of the following:

	Number of shares	Cost
		$
Great Lakes Pilotage Authority, Ltd. (GLPA)	15	1,500
The Jacques Cartier and Champlain Bridges Incorporated (JCCBI)	1	100
The Seaway International Bridge Corporation, Ltd. (SIBC)	8	8,000
		9,600

The Authority is related in terms of common ownership to all Government of Canada created departments, agencies and Crown corporations. The Authority enters into transactions with these entities in the normal course of business.

During the year ended March 31, 1994, the Authority provided JCCBI with certain engineering and administrative services for which it charged $678,829 (1993—$794,000). At March 31, 1994, $121,967 was receivable (1993—$94,359).

Based on the joint venture agreement, the Authority is entitled to the excess of revenues over expenses of SIBC for the year ended December 31, 1993. A portion of this excess was applied towards the remainder of the amortization of the Authority's construction and interest costs related to the North Channel Bridge (1993—$1.4 million; 1992—1.7 million) and no balance is left to be amortized. The remaining balance of the excess was distributed on an equal basis based on the joint venture agreement between the Authority and the Saint Lawrence Seaway Development Corporation which established SIBC (1993—$158,835: 1992—nil). It also paid $55,039 (1993—$62,911) for engineering and administrative services provided by the Authority.

The Canadian Coast Guard provides the Authority with navigational aids services. The fee paid by the Authority for this service during the year amounted to $600,000 (1993—$600,000).

THE ST. LAWRENCE SEAWAY AUTHORITY—*Continued*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1994—*Continued*

6. Capital Assets

	Amortization rate	1994 Cost	1994 Accumulated amortization	1994 Net	1993 Net
		(in thousands of dollars)			
Seaway					
Land		29,234		29,234	29,547
Channels and canals	1%	249,302	83,630	165,672	168,014
Locks	1%	241,522	99,765	141,757	140,997
Bridges and tunnels	2-4%	121,038	56,291	64,747	66,255
Buildings	2%	13,243	7,955	5,288	5,482
Equipment	2-20%	36,240	22,914	13,326	14,039
Remedial works	1%	121,457	30,201	91,256	92,474
Work under construction		1,281		1,281	1,712
		813,317	300,756	512,561	518,520
Thousand Islands Bridge Improvements	2-10%	6,617	861	5,756	5,188
		819,934	301,617	518,317	523,708

Subsequent additions to assets are amortized over the remaining estimated useful life of the initial group of assets to which the addition is related. The estimated useful life of these assets is for periods that vary between 2009 and 2083.

Valleyfield Bridge Rehabilitation Program

In 1987, Hydro-Quebec undertook an in-depth inspection of the bridge which led to the Rehabilitation Program for the Valleyfield Bridge. The Authority's share of the Rehabilitation represents 25% of the total cost.

A Treasury Board decision, rendered in 1992, made the Authority responsible for $17.8 million of the cost of work completed at March 31, 1992. All work was completed at March 31, 1993 and the costs to be funded by the Government of Canada amounted to $8.4 million, $1.5 million of which is included in accounts receivable.

7. Welland Canal Rehabilitation Program

In 1985, the Authority engaged consultants to examine in detail, and report on, the structural condition of the Welland Canal system. The report was submitted during 1986 and, as a result, a seven-year $175 million rehabilitation program has been established to refit the Welland Canal and ensure a continued safe and reliable waterway into the 21st century. The program consisted of refurbishing of lock walls, stabilizing the canal banks and approach walls, and rehabilitating ancillary structures.

During 1986, the Government of Canada approved funding for the financing of the Welland Canal Rehabilitation Program.The funding of $175 million, which terminated in 1993, has been deducted from related works under construction. At March 31, 1994, there were no amounts outstanding in accounts receivable (1993—$8 million).

8. Contributed capital

As of April 1, 1977, loans from Canada of $624.95 million were converted to equity by parliamentary appropriation. This amount was recorded as contributed capital.

The parliamentary appropriation authorizing the 1977 conversion of loans from Canada to equity also authorized the Minister to fix, from time to time, the amount that shall be paid by the Authority annually out of its toll revenue as a return on capital. No return on capital has been required to be paid for the years ended March 31, 1994 and 1993.

9. Income taxes

The Authority, as a prescribed Federal Crown corporation, is subject to the provisions of the *Income Tax Act*. The Authority is not subject to any provincial income taxes.

Currently, unamortized capital cost for tax purposes is in excess of the net book value of capital assets by approximately $227 million. The tax effect of this excess has not been recorded in the accounts of the Authority. The Authority also has accumulated research and development costs of approximately $4 million which are available to reduce the taxable income of future years.

The Federal Budget of April 1989 introduced a new Large Corporations Tax. The Authority has paid all amounts owing except for an amount of $0.5 million, which has been accrued for. A notice of objection has been filed related to the outstanding amount during 1993. It is expected that this matter will be settled in the coming year.

THE ST. LAWRENCE SEAWAY AUTHORITY—*Continued*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1994—*Concluded*

10. Commitments

At March 31, 1994, contractual obligations for capital and other expenditures amounted to \$1.5 million (1993—\$1.8 million). The commitment for the future minimum operating lease payments, required for office space for a term in excess of one year, is as follows:

	(in thousands of dollars)
1994-95	269
1995-96	269
1996-97	179

11. Contingencies

There is a total of \$62.5 million in claims instituted against the Authority. These arise from the breakdown of the Valleyfield Bridge in November 1984, the October 1985 Lock 7 wall blow-out, compensation and damages in connection with the expropriation of lands and various other claims. The Authority is contesting all these claims and their outcome cannot be determined at this time although management is of the opinion that these actions will not result in any material losses to the Authority. The Authority is also the claimant in certain other pending or threatened claims and lawsuits. One of the pending claims was settled after year end and an amount of \$2,750,000 was recovered for the costs of repairs to the St.Louis Bridge. The settlement will be recorded in the next year's financial statements.

12. Major Restoration of the Seaway

The amount of funds provided by operating activities and the level of long-term investments for future operating requirements will not be sufficient to finance the major restoration projects of the St. Lawrence Seaway in the foreseeable future. The Authority will require outside financing of these projects.

13. Reclassification

Some of the 1993 comparative figures were reclassified to conform to the presentation adopted in 1994.

THE ST. LAWRENCE SEAWAY AUTHORITY—*Continued*

APPENDIX 1

THE JACQUES CARTIER AND CHAMPLAIN BRIDGES INCORPORATED

AUDITOR'S REPORT

TO THE MINISTER OF TRANSPORT

I have audited the balance sheet of The Jacques Cartier and Champlain Bridges Incorporated as at March 31, 1994 and the statements of operations, deficit, contributed capital and changes in financial position for the year then ended. These financial statements are the responsibility of the corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the corporation as at March 31, 1994 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles. As required by the *Financial Administration Act*, I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the corporation that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Canada Business Corporations Act* and the articles and by-laws of the corporation.

Raymond Dubois, FCA
Deputy Auditor General
for the Auditor General of Canada

Ottawa, Canada
May 6, 1994

BALANCE SHEET AS AT MARCH 31, 1994

ASSETS	1994	1993
	$	$
Current		
Cash and short-term investments	2,970,947	2,629,866
Accounts receivable	251,910	353,407
Due from Canada	8,093,501	3,539,013
	11,316,358	6,522,286
Capital assets		
Land	3,682,465	3,682,465
Bridges	73,321,602	73,321,602
Vehicles and equipment	1,089,949	1,000,291
	78,094,016	78,004,358
Less: accumulated amortization	65,131,643	64,110,494
	12,962,373	13,893,864
	24,278,731	20,416,150

LIABILITIES	1994	1993
	$	$
Current		
Accounts payable	7,734,072	3,066,417
Due to parent company	121,967	94,359
Deferred revenues	268,803	169,994
	8,124,842	3,330,770
Long-term		
Provision for employee termination benefits	342,205	411,344
	8,467,047	3,742,114
Commitments and contingencies (Notes 6 and 7)		
SHAREHOLDER'S EQUITY		
Capital stock		
Authorized—50 shares without par value		
Issued and fully paid—1 share	100	100
Contributed capital	33,327,597	33,108,796
Deficit	(17,516,013)	(16,434,860)
	15,811,684	16,674,036
	24,278,731	20,416,150

Approved by the Board:

GLENDON R. STEWART
Director

ROGER J. FORGUES
Director

THE ST. LAWRENCE SEAWAY AUTHORITY—*Continued*

APPENDIX 1—*Continued*

THE JACQUES CARTIER AND CHAMPLAIN BRIDGES INCORPORATED—*Continued*

STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 1994

	Jacques Cartier Bridge	Champlain Bridge	Total 1994	Total 1993
	$	$	$	$
Revenues				
Leases and licenses	261,625	196,487	458,112	288,895
Interest	63,351	63,351	126,702	245,622
Other	58,893	121,253	180,146	139,540
	383,869	381,091	764,960	674,057
Expenses				
Maintenance (Note 3)	8,629,080	21,900,454	30,529,534	26,312,036
Operation	1,149,249	2,238,810	3,388,059	3,321,766
Administration	780,108	1,414,105	2,194,213	2,166,365
Amortization	90,135	1,060,157	1,150,292	1,139,818
	10,648,572	26,613,526	37,262,098	32,939,985
Loss before Large Corporations Tax	10,264,703	26,232,435	36,497,138	32,265,928
Large Corporations Tax (Note 4)	24,704	49,408	74,112	
Net loss for the year	10,289,407	26,281,843	36,571,250	32,265,928

STATEMENT OF DEFICIT
FOR THE YEAR ENDED MARCH 31, 1994

	1994	1993
	$	$
Balance at beginning of the year	16,434,860	15,303,875
Net loss for the year	36,571,250	32,265,928
	53,006,110	47,569,803
Parliamentary appropriation—Operations	35,490,097	31,134,943
Balance at end of the year	17,516,013	16,434,860

STATEMENT OF CONTRIBUTED CAPITAL
FOR THE YEAR ENDED MARCH 31, 1994

	1994	1993
	$	$
Balance at beginning of the year	33,108,796	32,800,559
Parliamentary appropriation—Capital assets	218,801	308,237
Balance at end of the year	33,327,597	33,108,796

STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED MARCH 31, 1994

	1994	1993
	$	$
Operating activities		
Net loss for the year	(36,571,250)	(32,265,928)
Non-cash items		
Amortization	1,150,292	1,139,818
Decrease in the provision for employee termination benefits	(69,139)	(8,833)
	(35,490,097)	(31,134,943)
Changes in non-cash items of working capital	4,895,569	(1,821,337)
	(30,594,528)	(32,956,280)
Investing activities		
Additions to capital assets	(235,461)	(321,197)
Proceeds from the disposal of capital assets	16,660	12,960
	(218,801)	(308,237)
Financing activities		
Parliamentary appropriation	35,708,898	31,443,180
Cash and cash equivalents		
Increase (decrease) for the year	4,895,569	(1,821,337)
Balance at beginning of the year	6,168,879	7,990,216
Balance at end of the year (*)	11,064,448	6,168,879
(*) Cash and short-term investments	2,970,947	2,629,866
Due from Canada	8,093,501	3,539,013
	11,064,448	6,168,879
Working capital position at year-end		
Current assets	11,316,358	6,522,286
Current liabilities	8,124,842	3,330,770
	3,191,516	3,191,516

THE ST. LAWRENCE SEAWAY AUTHORITY—*Continued*

APPENDIX 1—*Continued*

THE JACQUES CARTIER AND CHAMPLAIN BRIDGES INCORPORATED—*Continued*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1994

1. Authority and activities

The Jacques Cartier and Champlain Bridges Incorporated was established under the *Canada Business Corporations Act* on November 3, 1978 and is a wholly-owned subsidiary of The St. Lawrence Seaway Authority, which is a Crown corporation named in Part I of Schedule III to the *Financial Administration Act*.

The corporation is dependent on the Government of Canada for its financing.

Effective December 1, 1978, the corporation assumed the responsibility for the operation, maintenance and control of the Jacques Cartier and Champlain bridges and of a portion of the Bonaventure Autoroute, situated in the Montreal area.

2. Significant accounting policies

(a) Capital assets

Capital assets acquired from the National Harbours Board (now Canada Ports Corporation) on December 1, 1978 were recorded at their then book values with an offset to contributed capital. Subsequent additions are recorded at cost.

Capital assets are amortized over their estimated economic lives using the straight-line method, at the following rates:

Jacques Cartier Bridge	4.8%
Champlain Bridge	2.5%
Vehicles and equipment	10% and 20%

The cost of the portion of the Bonaventure Autoroute for which the corporation is responsible and the initial cost of the Jacques Cartier Bridge are fully amortized.

The cost of major maintenance is charged to operations in the year in which the work is performed.

(b) Parliamentary appropriation

The amount of the parliamentary appropriation used to cover the loss for the year is reflected in the statement of deficit. In this regard, operating expenses do not include amortization and any change in the provision for employee termination benefits.

The portion of the parliamentary appropriation used to finance the acquisition of capital assets, net of proceeds from disposal, is recorded as contributed capital.

Any balance of the parliamentary appropriation required to finance the loss for the year and not received at the year-end is shown as an amount due from Canada. Any parliamentary appropriation received in excess of requirements is recorded as due to Canada. It is the corporation's policy to reimburse this amount in the following fiscal year.

(c) Deferred revenues

Leases and licenses revenues collected in advance are recorded as deferred revenues.

(d) Employee termination benefits

On termination of employment, employees are entitled to certain benefits provided under their collective agreements and their conditions of employment. The cost of these benefits is expended in the year in which they are earned.

(e) Pension plan

Employees participate in the Superannuation Plan administered by the Government of Canada. The employees and the corporation contribute equally to the cost of the Plan. This contribution represents the total liability of the corporation. Contributions in respect of current service and of admissible past service are expended when paid. The terms of payment of past service contributions are set by the applicable purchase conditions, generally over the number of years of service remaining prior to retirement.

(f) Expenses

Expenses incurred with respect to the portion of the Bonaventure Autoroute for which the corporation is responsible are included with those for the Champlain Bridge.

(g) Income Taxes

The corporation, as a federal Crown corporation is not subject to any provincial income taxes. The corporation is, however, subject to the provisions of the *Federal Income Tax Act* due to the fact that its parent corporation is subject to these provisions in accordance with a regulation regarding this Act. Therefore, the corporation is subject to the Large Corporations Tax.

3. Major rehabilitation works

In its endeavour to keep the bridges and the autoroute in a good state of repair, to protect the public and serve traffic needs throughout the useful life of these installations, the corporation must undertake major rehabilitation works on the deck of the Jacques Cartier bridge. The urgency and the nature of the work to be undertaken have yet to be defined; it is therefore not possible at this time to assess the eventual cost of the major repairs which will have to be carried out over a number of years. It is expected that the cost of this program will be funded by parliamentary appropriations. The corporation expects that the repairs to the Jacques Cartier bridge will begin in 1996-97.

4. Large Corporations Tax

The federal Budget of April 1989 included the introduction of a Large Corporations Tax. The tax is levied on taxable capital employed in Canada and is to be applied after June 30, 1989. The corporation has recorded this tax during the year ended March 31, 1994 for an aggregate amount of $74,112.

5. Related party transactions

The Corporation is related in terms of common ownership to all Government of Canada created departments, agencies and Crown corporations. The corporation enters into transactions with these entities in the normal course of business. The main related party transactions entered into by the corporation sum up to administrative services received from its parent corporation for an amount of $865,753 ($849,580 in 1993).

THE ST. LAWRENCE SEAWAY AUTHORITY—*Continued*

APPENDIX 1—*Concluded*

THE JACQUES CARTIER AND CHAMPLAIN BRIDGES INCORPORATED—*Concluded*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1994—*Concluded*

6. Commitments

(a) Leases

The aggregate minimum rental payments under long-term leases for premises and equipment through to April 30, 1997 are approximately $209,000 on an annual basis.

(b) Operation services

The minimum amount which will be paid in future years under an agreement for police services ending on June 30, 1999 is $3.2 million on an annual basis.

(c) Suppliers

At March 31, 1994, contractual obligations to suppliers amounted to approximately $22 million.

7. Contingencies

(a) In the course of its major maintenance works on the deck of the Champlain Bridge, the corporation has received claims totalling $10.8 million. During the year ended March 31, 1994, the corporation has accrued expenses relating to part of these claims, based on the best reasonable estimate.

(b) The corporation has benefited from reimbursements equivalent to 57% of the goods and services tax and 40% of the Quebec provincial sales tax since their respective implementation. These reimbursements, totalling $3.5 million, were claimed based on information obtained when these taxes where implemented and lead the corporation to believe that it could benefit from these reimbursements according to the Act.

Revenue Quebec is presently studying the situation and should render a decision on the status or the exemption of the corporation with regard to these two taxes.

It is presently impossible to evaluate whether the corporation will have to return the amounts received as a reimbursement of these taxes or whether it will be exempt. Any settlement that could result from Revenue Quebec decision will be accounted for in the year in which the decision will be rendered.

(c) In the normal course of its activities, the corporation is the claimant or defendant in certain pending claims or lawsuits. It is the opinion of management that these actions will not result in any material liabilities to the corporation. Any amount that could result from the settlement of these claims will be charged to the year in which it occurs.

THE ST. LAWRENCE SEAWAY AUTHORITY—*Continued*

APPENDIX 2

THE SEAWAY INTERNATIONAL BRIDGE CORPORATION, LTD.

AUDITOR'S REPORT

TO THE MINISTER OF TRANSPORT

I have audited the balance sheet of The Seaway International Bridge Corporation, Ltd. as at December 31, 1993 and the statements of revenues and expenses and changes in financial position for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 1993 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles. As required by the *Financial Administration Act*, I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Corporation that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *St. Lawrence Seaway Authority Act*, the *Canada Business Corporations Act*, and the articles and by-laws of the Corporation.

D. Larry Meyers, FCA
Deputy Auditor General
for the Auditor General of Canada

Ottawa, Canada
February 18, 1994

BALANCE SHEET AS AT DECEMBER 31, 1993

ASSETS	1993	1992
	$	$
Current		
Cash and short-term deposits	1,411,671	1,692,281
Accounts receivable	34,885	39,908
	1,446,556	1,732,189
Capital assets (Note 3)		
Cost	970,905	942,140
Less: Accumulated amortization	485,495	433,434
	485,410	508,706
Deferred major repairs	111,742	
	597,152	508,706
	2,043,708	2,240,895

LIABILITIES	1993	1992
	$	$
Current		
Accounts payable and accrued liabilities	104,554	154,588
Due to The St. Lawrence Seaway Authority (Note 4)	1,382,441	1,710,252
Due to the Saint Lawrence Seaway Development Corporation (Note 4)	1,025	
Deferred revenue	107,729	107,861
	1,595,749	1,972,701
Long-term		
Accrued employee termination benefits	237,238	206,723
Due to The St. Lawrence Seaway Authority (Note 4)	138,850	45,471
Due to the Saint Lawrence Seaway Development Corporation (Note 4)	55,871	
Debentures payable (Note 5)	8,000	8,000
	439,959	260,194
	2,035,708	2,232,895
SHAREHOLDER'S EQUITY		
Capital stock		
Authorized—An unlimited number of common shares		
Issued and fully paid—8 shares	8,000	8,000
	2,043,708	2,240,895

Commitments (Note 6)
Approved by the Board:

G.R. STEWART
President and Director

STANFORD PARRIS
Vice-President and Director

THE ST. LAWRENCE SEAWAY AUTHORITY—*Continued*

APPENDIX 2—*Continued*

THE SEAWAY INTERNATIONAL BRIDGE CORPORATION, LTD.—*Continued*

STATEMENT OF REVENUES AND EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 1993

	1993	1992
	$	$
Revenues		
Tolls	3,739,586	3,913,566
Rentals	104,833	106,083
Interest	43,325	53,336
Other	6,229	5,802
	3,893,973	4,078,787
Expenses		
Salaries and employee benefits	1,460,454	1,424,118
Maintenance, materials and services	295,991	326,829
Professional services	188,041	351,767
Amortization	99,352	108,196
Advertising, telephone and office supplies	33,250	28,346
Employee termination benefits	30,515	30,925
Insurance	29,634	29,670
Electricity	22,316	22,280
Grants in lieu of municipal taxes	19,013	19,013
Interest and bank charges (Note 7)	12,538	2,619
Travel	4,016	4,661
Other	16,226	13,109
	2,211,346	2,361,533
Excess of revenues over expenses (Note 7)	1,682,627	1,717,254
Due to The St. Lawrence Seaway Authority as a bridge user charge	1,364,957	1,717,254
Balance to be divided 50/50 as per the joint venture agreement	317,670	
Due to the Saint Lawrence Seaway Development Corporation	158,835	
Due to The St. Lawrence Seaway Authority	158,835	

STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED DECEMBER 31, 1993

	1993	1992
	$	$
Operating activities		
Cash provided from operations		
Excess of revenues over expenses	1,682,627	1,717,254
Items not requiring cash		
Employee termination benefit accruals	30,515	30,925
Amortization	99,352	108,196
	1,812,494	1,856,375
Receivables re: portion of South Channel Bridge costs funded by The St. Lawrence Seaway Authority and the Saint Lawrence Seaway Development Corporation	(149,910)	
Payment of prior year's bridge user charge	(1,671,784)	(1,538,390)
Payments of employee termination benefits		(3,192)
Other changes in non-cash working capital items	(83,612)	(14,557)
	(92,812)	300,236
Investing activities		
Additions to deferred major repairs	(111,742)	
Additions to capital assets	(76,056)	(167,368)
Increase (decrease) in cash	(280,610)	132,868
Cash and short-term deposits, beginning of the year	1,692,281	1,559,413
Cash and short-term deposits, end of the year	1,411,671	1,692,281

THE ST. LAWRENCE SEAWAY AUTHORITY—*Continued*

APPENDIX 2—*Continued*

THE SEAWAY INTERNATIONAL BRIDGE CORPORATION, LTD.—*Continued*

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1993

1. Authority and activities

The Seaway International Bridge Corporation, Ltd. (the Joint Venture) is an agent of The St. Lawrence Seaway Authority and its U.S. counterpart, the Saint Lawrence Seaway Development Corporation. The purpose of the Joint Venture is to operate and manage the international toll bridge system between Cornwall, Ontario, and Rooseveltown, New York based on a September 1957 joint venture agreement. The Seaway International Bridge Corporation was incorporated under the *Canada Corporations Act* in 1962, continued under the *Canada Business Corporations Act*, and is subject to *The St. Lawrence Seaway Authority Act*. All the shares of The Seaway International Bridge Corporation are owned by The St. Lawrence Seaway Authority which constitutes a subsidiary for the purposes of the *Financial Administration Act*.

2. Accounting policies

The financial statements have been prepared in accordance with accounting principles generally accepted in Canada. A summary of significant accounting policies follows:

Excess of revenues over expenses

Excess of revenues over expenses is distributed based on a formula specified in the joint venture agreement as described in Note 7 to the financial statements. The excess of revenues over expenses represents amounts collected on behalf of The St. Lawrence Seaway Authority and the Saint Lawrence Seaway Development Corporation, and does not constitute a profit for the Joint Venture.

Capital assets and amortization

Capital assets are recorded at cost. These costs include moveable and removable assets acquired to operate the bridge. The cost of the North Channel Bridge is recorded in the books of The St. Lawrence Seaway Authority. The cost of the South Channel Bridge is recorded in the books of The St. Lawrence Seaway Authority (32%) and the Saint Lawrence Seaway Development Corporation (68%).

Costs, borne by the joint venture, that are improvements to the North Channel Bridge which are required for operational efficiency and to ensure its reliability are capitalized if they enhance the service potential of the capital asset.

Amortization on these assets is based on their estimated useful life and is calculated on the straight-line method at the following annual rates:

Automotive	20%
Maintenance equipment	10% to 20%
Office and toll equipment	10% to 22.5%
Buildings	5% to 10%
Bridge equipment	5%
Remedial works	4.8% to 10%

Amortization of work in progress projects commences when capital improvements are completed.

Deferred major repairs

During the year, the Joint Venture commenced work on two major projects designed to maintain the reliability of the North Channel Bridge. While not qualifying as capital assets, the projects are significant, and the work will benefit future years. The Joint Venture believes that it would be inappropriate to expense the costs of these projects and has included them in deferred major repairs. The amounts will be amortized over their estimated useful lives.

Employee termination benefits

Employees are entitled to specified benefits on termination as provided for under the conditions of employment. The liability for these benefits is recorded in the accounts as the employees become entitled to the benefits.

Pension plan

Employees are covered by the Public Service Superannuation Plan administered by the Government of Canada. Contributions to the Plan are required from both the employee and the Joint Venture. These contributions represent the total pension liability of the Joint Venture and are recognized in the accounts on a current basis. The Joint Venture is not required under present legislation to make contributions with respect to actuarial deficiencies of the Public Service Superannuation Account.

Deferred revenue

Revenue from unredeemed toll tickets is deferred.

Employee life insurance plan

The Joint Venture provides a life insurance plan for its employees. Surpluses and deficits from the plan are included in revenues and/or expenses in the year in which they occur.

3. Capital assets

	1993			1992
	Cost	Accumulated amortization	Net	Net
	$	$	$	$
Automotive	169,321	119,718	49,603	70,137
Maintenance equipment	178,819	94,544	84,275	71,934
Office and toll equipment	406,639	233,482	173,157	192,635
Buildings	68,815	8,893	59,922	2,035
Bridge equipment	40,007	14,003	26,004	28,005
Remedial works	97,834	14,855	82,979	89,020
Work-in-progress	9,470		9,470	54,940
	970,905	485,495	485,410	508,706

THE ST. LAWRENCE SEAWAY AUTHORITY—*Concluded*

APPENDIX 2—*Concluded*

THE SEAWAY INTERNATIONAL BRIDGE CORPORATION, LTD.—*Concluded*

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1993—*Concluded*

4. Due to The St. Lawrence Seaway Authority and the Saint Lawrence Seaway Development Corporation

The amounts due to The St. Lawrence Seaway Authority (SLSA) and the Saint Lawrence Seaway Development Corporation (SLSDC) are calculated as follows:

	SLSA		SLSDC	
	1993	1992	1993	1992
	$	$	$	$
Balance due at beginning of year	1,755,723	1,553,009		
Interest charged on overdue balance	10,125	2,619		
Payments made during the year				
— prior year's bridge user charge	(1,671,784)	(1,538,390)		
— other payables	(38,469)	(14,619)		
— interest	(10,125)	(2,619)		
Work done on behalf of SLSA and SLSDC to the South Channel Bridge*	(47,971)		(101,939)	
Work done by SLSA and SLSDC on behalf of the joint venture		38,469		
Current year bridge user charge for the North Channel Bridge	1,364,957	1,717,254		
Bridge user charge for the Raquette River Bridge				
Allocation of balance of excess of revenues over expenses	158,835		158,835	
Amount due at end of year	1,521,291	1,755,723	56,896	
Long-term portion	138,850	45,471	55,871	
Current portion	1,382,441	1,710,252	1,025	

* Major repairs and/or betterments incurred to assure the reliability of the South Channel Bridge are to be borne by The St. Lawrence Seaway Authority and the Saint Lawrence Seaway Development Corporation.

The long term portion of the amounts due to The St. Lawrence Seaway Authority and the Saint Lawrence Seaway Development Corporation will be paid as the amount of remedial works included in capital assets and the amount included in deferred major repairs are amortized. Interest is charged on the balance outstanding at the average one year Treasury Bill rate.

5. Debentures payable

These debentures, due on December 31, 2012, are non-interest bearing and payable to the Saint Lawrence Seaway Development Corporation.

6. Commitments

The Joint Venture has contract commitments of approximately $158,000 for underwater pier repairs in 1994.

7. Allocation of revenues in excess of expenses

By agreement between The St. Lawrence Seaway Authority and the Saint Lawrence Seaway Development Corporation, the annual excess of revenues over expenses of the Joint Venture is distributed as follows: first, as a bridge user charge to the Authority to offset the amortization of the cost of the North Channel Bridge together with interest; then to the Saint Lawrence Seaway Development Corporation an amount up to $300,000 to offset the amortization of their contribution, if any (*), towards the cost of the Raquette River Bridge. Any balance is then divided equally between both parties.

All annual excesses from the commencement of the Joint Venture's operations to December 31, 1992 have been paid to The St. Lawrence Seaway Authority as a bridge user charge. At December 31, the unamortized balance of the total cost of the North Channel Bridge was as follows:

	1993	1992
	$	$
Cost of construction	11,109,347	11,109,347
Less: Total of prior year bridge user charges	9,744,390	8,027,136
Unamortized balance at beginning of year	1,364,957	3,082,211
Less: Current year bridge user charge	1,364,957	1,717,254
Unamortized balance at end of year		1,364,957

There was no interest charged on the unamortized balance. However, as disclosed in Note 4, interest is charged on any current year balance overdue.

* The Saint Lawrence Seaway Development Corporation has not contributed towards the cost of the Raquette River Bridge.

8. Bridge use

With the approval of the National Transportation Agency of Canada, the Joint Venture continues the practice of providing free usage of the bridge system to certain North American Indians. This represents a substantial portion of the Bridge traffic.

9. Related party transactions

In addition to the transactions disclosed elsewhere in these financial statements, administrative support and certain engineering services are provided by The St. Lawrence Seaway Authority. Administrative support services are provided free of charge. The charge for engineering services amounted to $42,855 for 1993 ($62,911 for 1992). The Joint Venture also enters into various other transactions with the Government of Canada, its agencies and other Crown corporations, in the normal course of business.

STANDARDS COUNCIL OF CANADA

AUDITOR'S REPORT

TO THE MINISTER DESIGNATE OF INDUSTRY

I have audited the balance sheet of Standards Council of Canada as at March 31, 1994 and the statements of operations, equity of Canada and changes in financial position for the year then ended. These financial statements are the responsibility of the Council's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Council as at March 31, 1994 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles. As required by the *Financial Administration Act*, I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Council that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Standards Council of Canada Act* and by-laws of the Council.

Raymond Dubois, FCA
Deputy Auditor General
for the Auditor General of Canada

Ottawa, Canada
May 12, 1994

BALANCE SHEET AS AT MARCH 31

ASSETS	1994	1993
	$	$
Current		
Cash	638,583	661,265
Accounts receivable		
Federal government departments	216,759	182,144
Other	600,645	512,297
Parliamentary appropriation receivable	559,263	631,268
Inventory of foreign standards	153,910	85,923
Prepaid expenses	293,157	265,634
	2,462,317	2,338,531
Capital assets (Note 3)	377,972	256,849
	2,840,289	2,595,380

LIABILITIES	1994	1993
	$	$
Current		
Accounts payable and accrued liabilities	745,799	850,590
Customer and other deposits	64,932	45,353
Deferred revenue	150,959	140,637
	961,690	1,036,580
Long-term		
Provision for employee severance benefits	325,531	330,467
	1,287,221	1,367,047
EQUITY OF CANADA		
Equity of Canada	1,553,068	1,228,333
	2,840,289	2,595,380

Approved by the Council:

GEORGES ARCHER
President

MICHAEL B. McSWEENEY
Executive Director

STANDARDS COUNCIL OF CANADA—*Continued*

STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31

	1994	1993
	$	$
Revenue		
Sales of standards	2,034,613	2,412,917
Accreditation fees	720,169	481,444
GATT Enquiry Point	427,569	438,875
Interest income	23,323	28,360
Other	66,662	173,455
	3,272,336	3,535,051
Expenses		
Salaries and employee benefits	3,447,658	3,560,943
Memberships in international organizations	1,034,190	918,185
Direct cost of standards sold	959,615	1,289,856
Travel	833,709	821,145
Office accommodation	692,874	668,572
Publications and printing	412,567	693,934
Professional and special services	356,397	266,217
Telecommunications and postage	234,560	257,236
Amortization of capital assets	101,216	108,399
Rental of office equipment	73,911	76,903
Public relations	67,193	95,161
Meetings	62,354	150,177
Office supplies	58,282	71,394
Exchange of national standards	42,039	
Other	139,299	228,806
	8,515,864	9,206,928
Excess of expenses over revenue	5,243,528	5,671,877

STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED MARCH 31

	1994	1993
	$	$
Operating activities		
Excess of expenses over revenue	(5,243,528)	(5,671,877)
Items not requiring an outlay of cash		
Amortization of capital assets	101,216	108,399
Employee severance benefits accrued	42,718	57,665
	(5,099,594)	(5,505,813)
Payment of accrued employee severance benefits	(47,654)	(47,444)
Changes in current liabilities and current assets other than cash	(221,358)	(192,090)
Cash applied to operating activities	(5,368,606)	(5,745,347)
Financing activities		
Parliamentary appropriation	5,568,263	5,843,268
Investing activities		
Additions to capital assets	(222,339)	(115,713)
Decrease in cash during the year	(22,682)	(17,792)
Cash at beginning of the year	661,265	679,057
Cash at end of the year	638,583	661,265

STATEMENT OF EQUITY OF CANADA
FOR THE YEAR ENDED MARCH 31

	1994	1993
	$	$
Balance at the beginning of the year	1,228,333	1,056,942
Parliamentary appropriation (Note 4)	5,568,263	5,843,268
	6,796,596	6,900,210
Excess of expenses over revenue	(5,243,528)	(5,671,877)
Balance at the end of the year	1,553,068	1,228,333

STANDARDS COUNCIL OF CANADA—*Continued*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1994

1. AUTHORITY, OBJECTIVES, AND PROGRAMMES

The Standards Council of Canada was created by Parliament as a corporation under the *Standards Council of Canada Act* in 1970 to be the national coordinating body for voluntary standardization. The Council is a Crown corporation named in Part I of Schedule III to the *Financial Administration Act*. The Council carries out its task through the National Standards System, a federation of accredited organizations concerned with standards writing, certification, testing, and quality systems registration.

The objectives of the Council are to foster and promote voluntary standardization in fields relating to the construction, manufacture, production, quality, performance, and safety of buildings, structures, manufactured articles, and products and other goods, and to further international cooperation in the field of standards.

The Council's activities and programmes are centred around six broad areas:

- Accrediting organizations in Canada and the United States involved in standards writing, certification, testing, and quality systems registration;
- representing Canada's interests internationally through membership in the International Organization for Standardization (ISO), the International Electrotechnical Commission (IEC), the Pacific-Area Standards Conference (PASC), and the Pan-American Standards Commission (COPANT);
- coordinating and approving the development of National Standards of Canada;
- serving as the focal point for enquiries on the subject of standardization for both domestic and international activities and standards;
- fostering and promoting the understanding, benefits, and usage of standards in all aspects of economic activity both nationally and internationally;
- serving as the repository and focal point for national and international standards for distribution to Canadian industry.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Capital assets

Capital assets are recorded at cost and amortized on a straight-line basis over the estimated useful life of the assets as follows:

Furniture	5 years
Equipment	4 years
Leasehold improvements	term of the lease

(b) Inventory

Inventory of foreign standards is valued at the lower of cost and replacement cost.

(c) Prepaid expenses

Annual membership fees paid to ISO and IEC for periods extending beyond the fiscal year are recorded as prepaid expenses.

(d) Recoverable expenses

Recoveries of expenses in respect of an agreement for the operation of the GATT Enquiry Point are recognized as revenue at the time the expenses are incurred.

(e) Revenue and deferred revenue

Revenue is recorded on an accrual basis in the year in which it is earned. Amounts invoiced for accreditation services which have not been rendered are deferred and the revenue recorded as the services are provided.

(f) Parliamentary appropriation

Operating expenditures and the acquisition of capital assets are financed by a parliamentary appropriation which is credited to the equity of Canada in the year to which it applies.

(g) Employee severance benefits

Employees are entitled to specified benefits on termination as provided for under terms and conditions of employment. The liability for these benefits is recorded in the accounts as the benefits accrue to the employees.

(h) Pension plan

Employees participate in the Public Service Superannuation Plan administered by the Government of Canada. The Council's contributions to the plan are limited to matching the employee's contributions for current service. These contributions are expensed during the year in which services are rendered and represent the total pension obligations of the Council.

3. CAPITAL ASSETS

	March 31, 1994			March 31, 1993
	Cost	Accumulated amortization	Net book value	Net book value
	$	$	$	$
Furniture	257,311	173,321	83,990	50,774
Equipment	774,107	599,401	174,706	206,075
Leasehold improvements	123,288	4,012	119,276	
	1,154,706	776,734	377,972	256,849

4. PARLIAMENTARY APPROPRIATION

	1994	1993
	$	$
Amount voted	5,653,000	6,091,000
Frozen allotment		(180,000)
Amount lapsed	(84,737)	(67,732)
Amount used	5,568,263	5,843,268

STANDARDS COUNCIL OF CANADA—*Concluded*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1994—*Concluded*

5. LEASE COMMITMENT

The Council is leasing office space for a ten year term which expires in May 2002. The future minimum annual rental under this agreement, exclusive of operating and realty tax expense, is $410,810 for years one to five, and $416,008 for years six to ten.

6. RELATED PARTY TRANSACTIONS

In addition to those related party transactions disclosed elsewhere in these financial statements, the Council is related in terms of common ownership to all Government of Canada created departments, agencies, and Crown corporations. The Council enters into transactions with these entities in the normal course of business.

7. COMPARATIVE FIGURES

Certain of the 1993 comparative figures have been reclassified to conform to the current year's presentation.

VANCOUVER PORT CORPORATION

AUDITORS' REPORT

TO THE HONOURABLE DOUGLAS YOUNG, P.C., M.P.
MINISTER OF TRANSPORT

We have audited the consolidated balance sheet of the Vancouver Port Corporation as at December 31, 1993 and the consolidated statements of income and retained earnings and changes in financial position for the year then ended. These consolidated financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 1993 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Further, in our opinion, the transactions of the Corporation that have come to our notice during our examination of the consolidated financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, and the charter and by-laws of the Corporation.

Peat Marwick Thorne
Chartered Accountants

Vancouver, Canada
February 11, 1994

CONSOLIDATED BALANCE SHEET
AS AT DECEMBER 31, 1993
(in thousands of dollars)

ASSETS	1993	1992
Current assets:		
Cash	1,868	1,339
Investments (Note 3)	46,926	96,204
Accounts receivable	12,168	13,205
Materials and supplies	364	352
	61,326	111,100
Long-term receivables (Note 4)	13,987	12,793
Property and equipment (Note 5)	291,610	204,518
	366,923	328,411

LIABILITIES AND EQUITY OF CANADA	1993	1992
Current liabilities:		
Accounts payable and accrued liabilities	9,189	6,683
Grants in lieu of municipal taxes	6,054	5,567
Deferred revenues	3,810	4,212
	19,053	16,462
Accrued employee benefits	1,247	1,463
Loan from Canada (Note 6)	2,396	2,704
	22,696	20,629
EQUITY OF CANADA:		
Contributed capital (Note 2)	150,259	88,273
Retained earnings	193,968	219,509
	344,227	307,782
Commitments (Note 8)		
Contingencies (Note 9)		
	366,923	328,411

See accompanying notes to consolidated financial statements.

On behalf of the Board:

J. RON LONGSTAFFE
Chairman of the Board

THOMAS G. WHITE
Director

VANCOUVER PORT CORPORATION—*Continued*

CONSOLIDATED STATEMENT OF INCOME
AND RETAINED EARNINGS
FOR THE YEAR ENDED DECEMBER 31, 1993
(in thousands of dollars)

	1993	1992
Operating revenue	55,572	57,650
Expenses:		
Operating and administrative expenses	34,016	27,011
Grants in lieu of municipal taxes	4,877	6,430
Depreciation	10,022	7,549
	48,915	40,990
Income from operations	6,657	16,660
Investment income	4,662	6,872
Interest expense	(224)	(244)
	4,438	6,628
Net income	11,095	23,288
Retained earnings, beginning of year	219,509	203,881
	230,604	227,169
Special payment to Canada	(30,000)	
Dividend payment to Canada	(6,636)	(7,660)
Retained earnings, end of year	193,968	219,509

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF
CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED DECEMBER 31, 1993
(in thousands of dollars)

	1993	1992
Cash provided by (used for):		
Operations:		
Net income	11,095	23,288
Items not involving cash:		
Depreciation	10,022	7,549
Other	2,208	31
Changes in non cash operating working capital	3,661	(5,582)
	26,986	25,286
Financing:		
Contributed capital provided by Canada (Note 2)	61,986	
Special payment to Canada	(30,000)	
Dividend payment to Canada	(6,636)	(7,660)
Long-term receivables	(1,274)	(6,260)
Loan from Canada currently payable	(308)	(286)
	23,768	(14,206)
Investments:		
Acquisition of Canada Place Corporation	(61,102)	
Additions to property and equipment (net)	(38,401)	(10,328)
	(99,503)	(10,328)
Increase (decrease) in cash and investments	(48,749)	752
Cash and investments, beginning of year	97,543	96,791
Cash and investments, end of year	48,794	97,543

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 1993

LOCAL PORT CORPORATION

The Vancouver Port Corporation was established on July 1, 1983 as a local port corporation pursuant to the *Canada Ports Corporation Act*. The Corporation is exempt from income taxes.

The Corporation's mission is "to facilitate the efficient movement of maritime exports and imports through the Port of Vancouver in the best interests of Canadians, and, in so doing, provide a gateway to world trade—in particular the Pacific Rim—which customers are eager to use and which has wide public support".

1. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared by management in accordance with generally accepted accounting principles considered to be appropriate in the circumstances and consistently applied. A summary of the significant accounting policies of the Corporation is as follows:

(a) Consolidation

The consolidated financial statements include the accounts of the Corporation and its wholly owned subsidiary, Canada Place Corporation. All significant intercompany accounts and transactions have been eliminated since acquisition.

(b) Property and equipment

Property and equipment are recorded at cost. Depreciation is calculated on the straight-line basis, commencing with the year the asset becomes operational, at rates based on the estimated useful lives of the assets as follows:

Asset	Rate
Dredging	15 to 40 years
Berthing structures, buildings, roads and surfaces	10 to 40 years
Utilities	10 to 33 years
Machinery and equipment	1 to 20 years
Office furniture and equipment	3 to 5 years

(c) Pension costs

All permanent employees of the Corporation are covered by either the Public Service Superannuation Plan administered by the Government of Canada, or a private group retirement plan. Contributions to the plans are required from both the employees and the Corporation. Although both plans are defined benefit plans, the contributions represent the total pension liability of the Corporation and are recognized in the accounts on a current basis. The Corporation is not required under present legislation to make contributions with respect to actuarial deficiencies of the Public Service Superannuation Account and/or with respect to charges to the Consolidated Revenue Fund for indexation payments under the *Supplementary Retirement Benefits Act*.

(d) Grants in lieu of municipal taxes

Grants in lieu of municipal taxes are estimated based on municipal assessments adjusted in accordance with the *Municipal Grants Act*. After the amounts have been audited by the Municipal Grants Division of Public Works Canada, any adjustments upon finalization are reflected in the accounts in the period of settlement.

VANCOUVER PORT CORPORATION—*Continued*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 1993—*Continued*

(e) Employee benefits

The Corporation accrues estimated liabilities for severance pay and annual leave. These benefits are provided under collective agreements and corporate policy.

2. ACQUISITION OF CANADA PLACE CORPORATION

In March 1993, the Corporation acquired for one dollar all the shares of Canada Place Corporation (formerly Canada Harbour Place Corporation), a federal Crown corporation. The $61,986,000 excess of the net book value of this subsidiary at the date of acquisition over its cost to the Corporation has been credited to contributed capital. The acquisition has been accounted for by the purchase method and the results of the subsidiary's operations since March 1993 have been included in the consolidated statement of income and retained earnings.

3. INVESTMENTS

Current investments are in Government of Canada treasury bills and at December 31, 1993 and 1992 the market value of the treasury bills approximated carrying value.

4. LONG-TERM RECEIVABLES

	1993	1992
	(in thousands of dollars)	
Long-term agreements for sale, bearing interest between 6-5/8% and 9% per annum, receivable in blended annual instalments totalling approximately $1.8 million, maturing between 1996 and 2012	13,462	7,817
Less current portion	(755)	(589)
	12,707	7,228
Non interest bearing agreement with B.C. Rail, due as and when rail trackage is constructed on Roberts Bank causeway or April 1, 1994, whichever is earlier	3,947	3,947
Less current portion	(3,947)	
		3,947
Fire protection costs, net of amortization	1,280	1,359
Other		259
	13,987	12,793

Current portion is reflected in accounts receivable.

5. PROPERTY AND EQUIPMENT

	1993			1992
	Cost	Accumulated depreciation	Net book value	Net book value
	(in thousands of dollars)			
Land	82,329		82,329	79,755
Dredging	385	248	137	129
Berthing structures	68,144	31,519	36,625	36,980
Buildings	114,785	24,769	90,016	36,214
Utilities	20,789	8,957	11,832	10,728
Roads and surfaces	36,907	25,036	11,871	11,890
Machinery and equipment	32,128	13,560	18,568	18,971
Office furniture and equipment	9,856	5,498	4,358	1,216
Leased assets	6,200	310	5,890	
Projects under construction	29,984		29,984	8,635
	401,507	109,897	291,610	204,518

Effective January 1, 1993, the Corporation entered into a $6.2 million prepaid lease in respect of a building which has been capitalized, is included in the above amounts and is being amortized on a straight-line basis over the 20 year lease term.

6. LOAN FROM CANADA

	1993	1992
	(in thousands of dollars)	
Interest-bearing loan at 7.5%, repayable in blended annual instalments, maturing December 31, 2000	2,704	2,990
Less current portion (included in accounts payable)	(308)	(286)
	2,396	2,704

Principal repayment requirements over the next five years are as follows:

	(in thousands of dollars)
1994	308,000
1995	331,000
1996	355,000
1997	382,000
1998	411,000
	1,787,000

VANCOUVER PORT CORPORATION—*Concluded*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 1993—*Concluded*

7. RELATED PARTY TRANSACTIONS

In addition to the transactions described elsewhere in these consolidated financial statements, the Corporation paid $2,227,000 (1992—$2,373,000) to Canada Ports Corporation as its share of that Corporation's operating expenses.

8. COMMITMENTS

Contractual obligations for the completion, construction and purchase of property and equipment as at December 31, 1993 are estimated at $71.7 million.

It is the policy of all port corporations that each port corporation pay a dividend to Canada not later than March 31 based on a corporation's prior year's income. Dividends are recorded by the Corporation as a liability when declared.

9. CONTINGENCIES

(a) At December 31, 1993, the Corporation had claims from municipalities for grants in lieu of taxes of approximately $24.7 million (1992: $20.4 million) greater than the amount accrued in the financial statements.

(b) Over a period of years, the Corporation has recorded revenues on certain leases which continue to be unresolved.

(c) There are estimated claims against the Corporation for approximately $8.6 million plus unspecified damages. In the opinion of the Corporation, the likelihood of these claims succeeding is not determinable. The effect, if any, of the ultimate resolution of these matters will be accounted for as prior period adjustment when known.

10. COMPARATIVE FIGURES

The 1992 comparative figures have been reclassified to conform to the grouping of accounts adopted in the current year.

VIA RAIL CANADA INC.

MANAGEMENT REPORT

The management of the Corporation is responsible for the preparation and integrity of the financial statements contained in the Annual Report. These statements have been prepared in accordance with generally accepted accounting principles and necessarily include some amounts that are based on management's best estimates and judgement. Financial information used elsewhere in the annual report is consistent with that in the financial statements. Management considers that the statements present fairly the financial position of the Corporation, the results of its operations and the changes in its financial position.

To fulfill its reponsibility, the Corporation maintains systems of internal accounting controls, policies and procedures to ensure the reliability of financial information and to safeguard assets. The internal control systems and financial records are subject to reviews by internal auditors, the Auditor General of Canada and Raymond, Chabot, Martin, Paré, general partnership during the audit of the financial statements.

The Audit Committee of the Board of Directors, consisting solely of outside Directors, meets periodically with the internal and external auditors and with management, to review the scope of the audit and to assess reports on audit work performed. The financial statements have been reviewed and approved by the Board of Directors on the recommendation of the Audit Committee.

T.W. Ivany
President and Chief Executive Officer

J.R. Paquette
Vice-President, Planning and Finance, and Treasurer

AUDITORS' REPORT

TO THE MINISTER OF TRANSPORT

We have audited the balance sheet of VIA Rail Canada Inc. as at December 31, 1993 and the statements of operations, reconciliation to operating funding from the Government of Canada, contributed surplus, deficit and changes in financial position for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 1993 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles. As required by the *Financial Administration Act*, we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in our opinion, the transactions of the Corporation that have come to our notice during our audit of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Canada Business Corporations Act* and the articles and by-laws of the Corporation.

Raymond, Chabot, Martin, Paré
General Partnership
Chartered Accountants

Montreal, Canada

L. Denis Desautels, FCA
Auditor General of Canada

Ottawa, Canada
February 11, 1994

VIA RAIL CANADA INC.—*Continued*

BALANCE SHEET AS AT DECEMBER 31
(in thousands of dollars)

	1993	1992
Current assets		
Cash and term deposits	12,017	6,723
Accounts receivable	9,008	6,078
Receivable from the Government of Canada	73,226	113,947
Materials	20,209	22,906
	114,460	149,654
Long-term assets		
Cash appropriated for asset renewal (Note 3)	9,500	6,432
Investment, at cost (Note 4)	2,001	2,001
Advance on contract (Note 5)	16,485	
Properties (Note 6)	670,059	708,349
	698,045	716,782
	812,505	866,436

	1993	1992
Current liabilities		
Accounts payable and accrued liabilities	102,821	119,170
Deferred revenue	5,350	4,374
	108,171	123,544
Long-term liabilities		
Network restructuring and reorganization charges (Notes 7 and 8)	55,161	57,572
Deferred credits	8,303	8,701
	63,464	66,273
Shareholder's equity		
Share capital (Note 9)	9,300	9,300
Contributed surplus	707,426	744,946
Deficit	(75,856)	(77,627)
	640,870	676,619
	812,505	866,436

See accompanying notes to financial statements.

Signed on behalf of the Board,

GARY T. BRAZZELL
Director and Chairman of the Audit Committee

MARC LEFRANÇOIS
Director and Chairman of the Board

VIA RAIL CANADA INC.—*Continued*

STATEMENT OF OPERATIONS
YEAR ENDED DECEMBER 31
(in thousands of dollars)

	1993	1992
Revenue		
Passenger	154,240	143,461
Other	9,931	12,319
	164,171	155,780
Expense		
Customer services and transportation	234,314	235,536
Equipment maintenance	127,027	132,588
Marketing and sales	26,253	28,465
Real estate and procurement	49,161	51,851
General and support services	47,575	37,954
Amortization	48,396	45,246
Reorganization charges (Note 8)	13,560	
Income taxes	1,713	1,382
	547,999	533,022
Excess of expense over revenue before operating funding from the Government of Canada	383,828	377,242
Funding from the Government of Canada:		
Operating	323,570	331,307
Network restructuring recovery	12,730	12,893
Excess of expense over revenue	47,528	33,042

See accompanying notes to financial statements.

STATEMENT OF RECONCILIATION TO OPERATING FUNDING FROM THE GOVERNMENT OF CANADA
YEAR ENDED DECEMBER 31
(in thousands of dollars)

	1993	1992
Excess of expense over revenue	(47,528)	(33,042)
Items not requiring (providing) current operating funds:		
Amortization and losses on properties	49,299	46,076
Network restructuring recovery	(12,730)	(12,893)
Reorganization charges	10,985	
	47,554	33,183
Operating funding surplus for the year	26	141

See accompanying notes to financial statements.

STATEMENT OF CONTRIBUTED SURPLUS
YEAR ENDED DECEMBER 31
(in thousands of dollars)

	1993	1992
Balance at beginning of the year	744,946	746,311
Capital funding from the Government of Canada	11,779	44,711
Transfer to deficit:		
Non-cash transactions on properties (1991: $46,138)	(49,299)	(46,076)
Balance at end of the year	707,426	744,946

See accompanying notes to financial statements.

STATEMENT OF DEFICIT
YEAR ENDED DECEMBER 31
(in thousands of dollars)

	1993	1992
Balance at beginning of the year	77,627	90,661
Excess of expense over revenue	47,528	33,042
Transfer from contributed surplus:		
Non-cash transactions on properties (1991: $46,138)	(49,299)	(46,076)
Balance at end of the year	75,856	77,627

See accompanying notes to financial statements.

VIA RAIL CANADA INC.—*Continued*

STATEMENT OF CHANGES IN FINANCIAL POSITION
YEAR ENDED DECEMBER 31
(in thousands of dollars)

	1993	1992
Cash provided by (used in) operating activities		
Excess of expense over revenue	(47,528)	(33,042)
Non-cash charges (credits) to operations:		
Amortization of properties	45,327	44,568
Losses on write-off, retirement and disposal of properties	3,972	1,508
Amortization of investment tax credits	(903)	(829)
Changes in working capital items:		
Accounts receivable	(2,930)	6,546
Receivable from the Government of Canada	13,500	26,050
Materials	2,697	7,573
Accounts payable and accrued liabilities	1,625	(40,860)
Deferred revenue	976	812
Long-term liabilities:		
Network restructuring and reorganization charges	(2,411)	(7,189)
Deferred credits	505	
	14,830	5,137
Cash provided by (used in) financing activities		
Capital funding from the Government of Canada	11,779	44,711
Receivable from the Government of Canada	27,221	9,289
	39,000	54,000
Cash provided by (used in) investment activities		
Cash appropriated for asset renewal	(3,068)	(3,279)
Properties	(11,779)	(44,711)
Advance on contract	(16,485)	
Proceeds from sale of surplus properties	770	2,487
Accounts payable and accrued liabilities	(17,974)	(11,410)
	(48,536)	(56,913)
Cash and term deposits		
Increase during the year	5,294	2,224
Balance at beginning of the year	6,723	4,499
Balance at end of the year	12,017	6,723
Represented by:		
Cash	2,726	2,679
Term deposits	9,291	4,044
	12,017	6,723

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 1993

1. Authority and objectives

VIA Rail Canada Inc. is a Crown corporation named in Part I of Schedule III to the *Financial Administration Act*. It was incorporated in 1977 under the *Canada Business Corporations Act*. The Corporation's mission is to manage and provide safe, efficient, effective and economic rail passenger services in Canada to meet the needs of the travelling public. It uses the roadway infrastructure of other railway companies which also assure the control of train operations.

The Corporation is not an agent of Her Majesty and is subject to the *Income Tax Act* (Canada) and those of certain provinces.

2. Accounting policies

These financial statements have been prepared by management in accordance with generally accepted accounting principles. The significant accounting policies followed by the Corporation are summarized as follows:

(a) Funding from the Government of Canada

Operating funding, which pertains to services, activities and other undertakings of the Corporation for the management and operation of railway passenger services in Canada, is recorded in the statement of operations. The amounts are determined on the basis of operating costs less commercial revenues excluding non-cash transactions relating to properties, network restructuring and reorganization charges, and are based on the operating budget approved by the Government of Canada for each year. Operating results are reconciled to operating funding in the statement of reconciliation to operating funding from the Government of Canada.

Funding to cover the costs of the network restructuring is recorded as a recovery in the statement of operations in the year in which the disbursements are made.

Funding received as financing for capital expenditures is recorded as contributed surplus.

(b) Charges under train service agreements

Effective January 15, 1990, the Corporation entered into a train service agreement and other agreements with Canadian Pacific Limited for the use of tracks and train personnel, control of train operations and rolling stock maintenance. It also entered into a train service and other agreements with Canadian National Railway effective January 1, 1989, to cover services provided by the latter. Charges under these agreements are not subject to adjustment by the National Transportation Agency.

Prior to these agreements, the corporation had an operating agreement with each of Canadian Pacific Limited and Canadian National Railway. The terms of these agreements are still in effect with respect to certain station facilities and ancillary services not yet covered by specific successor agreements. Charges under these operating agreements are subject to adjustment by the National Transportation Agency following a determination of the actual costs incurred each year, using railway costing methodology approved by the National Transportation Agency. Charges for the years 1989 to 1993 inclusive, have not been finalized.

Charges under these agreements are recorded as incurred.

VIA RAIL CANADA INC.—*Continued*

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 1993—*Continued*

(c) Materials

Materials are valued at weighted average cost.

(d) Properties

Properties acquired from Canadian National Railway and Canadian Pacific Limited at the start of operations in 1978 were recorded at the net transfer values while subsequent additions, including those acquired under capital leases, are recorded at cost.

The costs of refurbishing and rebuilding rolling stock and costs associated with other property upgrading are capitalized if they are incurred to improve the service values or extend the useful lives of the properties concerned; otherwise, costs are expensed as incurred.

(e) Amortization of properties

Amortization of properties is calculated on a straight-line basis at rates sufficient to write off the cost of properties, less their residual value, over their estimated useful lives as follows:

Rolling stock	12 to 30 years
Maintenance buildings	25 years
Stations and Facilities	20 years
Infrastructure improvements	5 to 38 years
Leasehold improvements	5 to 20 years
Machinery and Equipment	4 to 15 years
Information systems	3 years
Other Assets	7 to 10 years

No amortization is provided for projects in progress or retired rolling stock.

(f) Leases

Properties recorded under capital leases are amortized on a straight-line basis over the terms of the leases, which are representative of their useful lives.

Rental payments under operating leases are expensed as incurred.

(g) Income taxes

Funding from the Government of Canada provided to the Corporation to cover operating costs is determined on the basis of current needs. For this reason, income taxes are accounted for on the taxes payable basis as there is a reasonable expectation that all taxes payable in future years will be included in the Government approved formula for reimbursement and will be recoverable at that time.

(h) Deferred credits

Investment tax credits are amortized over the estimated useful lives of the related properties. The amortization of deferred investment tax credits is recorded as a reduction of the amortization of properties. Lease inducement credits are amortized over the term of the leases.

(i) Pension plans

The Corporation has several defined benefit pension plans, based on retirement age, compensation and length of service, covering all its permanent employees.

The cost to the Corporation is determined by actuarial valuations which allocate to each year, the accrued portion of the benefits based on projections of employees' compensation levels to the time of their retirement, prorated on employees' years of service.

Pension expense (Note 11) includes the cost of benefits attributable to services rendered during the current year, the amortization of any unfunded liability in respect of past services and the amortization of experience gains and losses. These amortizations are calculated on a straight-line basis over 15 years which represents the expected average remaining service lives of the active employee groups.

(j) Employee termination and special benefits

Employee termination and special benefits provided for under labour agreements and special programmes are expensed in the year in which these costs are incurred.

3. Cash appropriated for asset renewal

The Corporation has been authorized by the Treasury Board of the Government of Canada, to segregate proceeds from the sale of surplus assets in a manner which ensures that these funds are retained for future capital projects. The Corporation is planning to invest these funds in support of the corridor equipment renewal proposal.

4. Investment

The Corporation owns 4% of the common shares of Railroad Association Insurance, Ltd. (R.A.I.L.) for the purpose of maintaining a reinsurance facility. The book value of the shares, according to the financial statements of R.A.I.L. as at November 30, 1993, was $8.1 million (1992: $7.2 million).

5. Advances on contracts

The advances on contracts relate mainly to the modernization of stainless steel coaches by Canadian National Railway. The advance to Canadian National Railway will be incurred at the rate of 3.03% over the next 4 years upon delivery and acceptance of each of the 33 cars.

VIA RAIL CANADA INC.—*Continued*

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 1993—*Continued*

6. Properties

	1993			1992		
	Cost	Accumulated Amortization	Net	Cost	Accumulated Amortization	Net
			(in millions of dollars)			
Land	4.5		4.5	4.5		4.5
Rolling stock	537.0	204.5	332.5	523.6	203.0	320.6
Maintenance buildings	216.3	67.1	149.2	215.5	59.0	156.5
Stations and Facilities	26.3	6.0	20.3	19.7	5.0	14.7
Infrastructure improvement	87.6	18.4	69.2	87.0	16.1	70.9
Leasehold improvements	78.7	37.3	41.4	76.1	32.8	43.3
Machinery and Equipment	27.9	16.3	11.6	27.5	14.5	13.0
Information systems	68.0	62.5	5.5	66.7	59.0	7.7
Other assets	22.2	19.8	2.4	21.9	19.1	2.8
	1,068.5	431.9	636.6	1,042.5	408.5	634.0
Projects in progress			29.7			69.9
Retired rolling stock (at salvage value)			3.8			4.4
			670.1			708.3

At December 31, 1993, the gross value of assets under capital leases included above was $6.1 million (1992: $5.8 million) and related accumulated amortization thereon amounted to $3.6 million (1992: $3.3 million).

Projects in progress primarily consist of rolling stock renewal and station improvement projects.

7. Network restructuring

On October 4, 1989, the Corporation approved a plan for the restructuring of its transportation network whereby its operations were significantly reduced effective January 15, 1990. Employee terminations and reassignments took place mainly in 1990 with certain initiatives to take place in future years.

At December 31, 1993, a provision of $61.0 million (1992: $73.7 million) including $9.1 million of short-term liabilities (1992: $16.1 million), has been recorded to provide for the on-going costs of restructuring.

The major cost categories of network restructuring are:

(a) severance payments and employment security benefits governed by labour agreements and special programmes which may extend over several years;

(b) surplus properties that have been written down to their estimated salvage value and are being disposed of; and

(c) lease cancellation penalties, materials devaluation and other costs.

8. Reorganization charges

During 1993, the Corporation incurred reorganization charges of $13.6 million, including long-term liabilities of $3.3 million, consisting of mainly separation payments related to a major cost-reduction effort. The Corporation reorganized along its three product groups to maintain quality service to the travelling public which also provided for greater coordination of service delivery by combining the Customer Services and Transportation functions as well as the centralization of support functions to increase efficiency.

VIA RAIL CANADA INC.—*Concluded*

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 1993—*Concluded*

9. Share capital

The authorized share capital of the Corporation is comprised of an unlimited number of common shares of no par value. As at December 31, 1993 and 1992, 93,000 shares at $100 per share are issued and fully paid.

10. Commitments

(a) The future minimum rental payments relating to operating leases mainly for real estate, computer equipment and services are as follows:

	(in millions of dollars)
1994	12.1
1995	8.1
1996	7.4
1997	7.4
1998	7.4
Subsequent years up to 2034	245.5
	287.9

(b) As at December 31, 1993, the Corporation has outstanding commitments amounting to $51.7 million (1992: $27.2 million), mainly in respect of upgrading rolling stock and equipment.

(c) The Corporation has entered into diesel fuel future contracts for $1.3 million at December 31, 1993, as a means of stabilizing the price of fuel purchases.

11. Pension plans

The latest actuarial valuations of the pension plans were carried out as at December 31, 1990 by external actuaries who are members of the Canadian Institute of Actuaries. Based on these valuations and actuarial projections made for 1991, 1992 and 1993, the accumulated plan benefits as at December 31, 1993 are $798.8 million, which include $22.8 million of unfunded benefits. The net assets available to provide for these benefits at related market values as at that date amount to $776.0 million.

Using the method identified in the pension plans accounting policy (Note 2 i), the pension expense for 1993 was $18.7 million (1992: $16.9 million) and included amortization of past service costs and experience gains and losses.

12. Related party transactions

The Corporation received the following funding from the Government of Canada:

	1993	1992
	(in millions of dollars)	
Operating	323.6	331.3
Network restructuring recovery	12.7	12.9
	336.3	344.2
Capital	11.8	44.7
	348.1	388.9

In the normal course of business, transactions with other Crown corporations amounted to:

	1993	1992
	(in millions of dollars)	
Revenue	6.2	6.2
Operating expense	74.7	74.9
Capital expenditures	2.2	17.0
Balance payable (receivable) at the end of the year	(1.3)	28.5

In addition to these related party transactions and those disclosed elsewhere in the financial statements, the Corporation is related in terms of common ownership to all Government of Canada created departments and agencies. The Corporation enters into transactions with these entities in the normal course of business.

13. Contingencies

In the ordinary course of business, various claims and lawsuits have been brought against the Corporation and it is the opinion of management that the settlement of these actions will not result in any material liabilities to the Corporation beyond any amounts already provided.

14. Comparative figures

Certain comparative figures have been reclassified to conform with the presentation adopted in 1993.

President
of the Treasury Board

Président
du Conseil du Trésor

1995

Annual Report

to Parliament

Crown Corporations and Other Corporate Interests of Canada

Canada

1995

Annual Report

to Parliament

Crown Corporations and Other Corporate Interests of Canada

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President
of the Treasury Board

Président
du Conseil du Trésor

Ottawa, Canada K1A 0R5

It is with pleasure that I table the ***1995 Annual Report to Parliament on Crown Corporations and Other Corporate Interests of Canada.***

This *Annual Report to Parliament* is the principal means by which the government informs Canadians about its corporate holdings. It presents comprehensive information on the mandate, performance and financial data for all parent Crown corporations and their wholly-owned subsidiaries. Information is also presented on the other corporate interests of Canada, such as entities owned jointly with another level of government or the private sector, membership interests, and international organizations.

During the past year, the Crown corporation portfolio showed some promising productivity gains. The level of budgetary appropriations dropped, employment figures continued to shrink, there was an improvement in net income, and the assets of commercially oriented corporations continued to grow.

During 1994-95, the Crown corporation sector, along with the rest of government, has faced financial pressures, and has undergone a significant restructuring and downsizing process. The Program Review was not merely a cost-cutting exercise. It was a government-wide review process whose aim was to "get government right" and to do so affordably.

Program Review focussed on all aspects of government business to decide where we should retain, reduce, eliminate, or restructure with a view to both making government more effective and to reducing costs. Government equity holdings, assets and services were considered for privatization, or at least placed on a more commercial basis when it could be shown to improve service and reduce costs while continuing to protect the public interest. For example, the government's interest in Petro-Canada was further reduced from 70 to 20 percent following a public share offering. In addition, as part of a government priority to modernize the transportation sector, Parliament recently authorized the sale to the public of all the government's interest in the Canadian National Railway Company.

Many Crown corporations already operate in a competitive arena. The government recognized the competitive market place within which these Crown corporations operate in the 1995 Budget Plan. The challenge for Crown corporations is complicated by their need to achieve the commercial and public policy objectives in their statutory mandates, and, at the same time, to be sensitive to the government's broader public policy objectives such as wage restraint, official languages, and employment equity. While operating within this complex corporate environment, Crown corporations must still endeavour to get greater value and better results for Canadians. I believe one answer lies in Quality Service.

Quality Service means putting the needs of our clients first. It means using service standards as a means of improving services and measuring performance. We are putting new service standards in place and making them public. This year, we released the *Declaration of Quality Service*, a document which spells out our commitment to deliver quality services within the resources Canada can afford.

Canada

Quality Service is not new to the Crown corporation sector. Crown corporations have long embraced and implemented many of the principles that underlie the Quality Service Initiative. All Crown corporations have been active in varying degrees in developing service standards, consulting with clients and empowering their employees to meet the needs of clients at least cost. Many Crown corporations view quality service as a valid and practical means of achieving their objectives with the greatest return to the government.

We are committed to improving all aspects of the corporate governance of Crown corporations including the orientation and training provided to new directors.

The government has entrusted the boards of directors and management of Crown corporations with a high degree of autonomy to manage the business affairs of these corporations. The government considers an active and vital board of directors to be a key element of the corporate governance and accountability regime for Crown corporations.

In 1994, I hosted a Conference for the chairpersons and chief executive officers of Crown corporations with the theme "Corporate Governance: Improving the Effectiveness of Crown Corporation Boards". From the feedback and suggestions from the Conference, an Advisory Group on Crown Corporations was formed to provide advice on the use of the corporate form and on ways of strengthening the effectiveness of boards of directors of Crown corporations. As a result, we are developing *Guidelines on Corporate Governance for Crown Corporations*.

The importance of corporate governance was also stressed by the Auditor General of Canada this year. Volume 2 of the Auditor General's *1995 Annual Report* contained a chapter entitled "Crown Corporations: Fulfilling Responsibilities for Governance". The Auditor General noted that Canadians are generally well served by the framework governing the activities of Crown corporations, and that a much improved situation exists compared to 1984 when the present regime was introduced. I was also pleased that the Auditor General noted continuing improvements in my Annual Report to Parliament. This year's Annual Report is further enhanced with respect to portfolio and sectoral information.

It is piece by piece that the federal government is transforming itself into a quality organization. Crown corporations may be able to provide us with valuable lessons in how to become a service industry — one in which taxpayers are recognized as being both the customers and the shareholders, and our focus is on serving them well.

Arthur C. Eggleton

December 7, 1995
Ottawa, Canada

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Corporate Abstracts

INTRODUCTION

The President of the Treasury Board's ***1995 Annual Report to Parliament on Crown Corporations and Other Corporate Interests of Canada*** provides a consolidated report on the businesses and activities of all parent Crown corporations and the other corporate interests of the Government of Canada. The Report comprises a number of sections plus an Annex:

- **Overview of the Portfolio** highlights the major activities that have taken place in the portfolio of Crown corporations during 1994-95. The Overview describes these activities within the context of the corporate environment, initiatives that are taking place in the area of corporate governance, revisions to Crown corporations regulations, the growing trend toward privatization and commercialization, and the impact of ongoing restraint measures.

  The Overview describes significant developments, major events and trends in Crown corporations, according to the industry sector within which the Crown corporations operate. As well, developments in the government's other corporate interests are highlighted. Two summary tables present consolidated financial position, and employment information, as well as the operating results for Crown corporations by sector.

- **Corporate Abstracts** profile each parent Crown corporation describing its mandate, historical background, corporate highlights, performance and financial results.

- **Corporate Holdings** presents a listing of parent Crown corporations and their corporate holdings.

- **Other Corporate Interests** is a compilation of the other corporate interests of Canada, and provides supplementary information about them.

- **Tabling of Reports in Parliament** presents a record of annual reports and corporate plan and budget summaries tabled in Parliament by responsible Ministers.

- The **Annex** contains the audited financial statements for each parent Crown corporation.

This ***1995 Annual Report to Parliament on Crown Corporations and Other Corporate Interests of Canada*** is prepared under the direction of the President of the Treasury Board by the Crown Corporations and Privatization Sector of the Department of Finance and Treasury Board Secretariat. It responds to requirements of the *Financial Administration Act* (FAA) Sections 151 and 152 that the following documents be tabled in Parliament annually:

- a consolidated report on the businesses and activities of parent Crown corporations, including information on all Crown corporations and other corporate interests of Canada; and

- a report indicating when annual reports and corporate plan and budget summaries were to be laid before each House (for the twelve-month period ending on July 31), and when they were actually laid before that House.

Overview of the Portfolio

BACKGROUND AND CONTEXT

Canada, like other nations, has used Crown corporations to achieve national goals and deliver programs and services to its citizens. Crown corporations have a long history in Canada dating back to Confederation. They have acted as engines of industrial development, provided important goods and services, and contributed to developing our national identity.

The current portfolio of 48 parent Crown corporations is highly diversified with corporations operating in many sectors of the Canadian economy. The corporations vary widely in size and differ in their demands on the government for financial support. Each has its own unique public policy purpose.

Each Crown corporation is a legally distinct entity wholly-owned by the Crown and managed by a board of directors. The enabling legislation for each Crown corporation, whether by a special Act of Parliament or by articles of incorporation under the *Canada Business Corporations Act*, sets out the Crown corporation's mandate, powers and objectives.

CORPORATE ENVIRONMENT

In the last year, the Crown corporation portfolio, along with the rest of government, has undergone a significant restructuring and downsizing process. These restraint measures, together with increasing globalization of trade, have pressured Crown corporations to be more competitive and efficient. For Crown corporations this challenge is further complicated by their need to achieve the public policy objectives in their statutory mandates, and to be sensitive to the government's broader public policy objectives such as wage restraint, official languages, employment equity and the government's procurement obligations under trade liberalization.

The government entrusts the boards of directors and management of each Crown corporation with a high degree of autonomy to manage the business affairs of the corporation. In delegating this authority and responsibility, the government recognizes that Crown corporations serve the public interest in a commercial environment. They are expected to use the best available private sector business practices and, to the extent practical, are to be treated in the same manner as private sector firms.

Initiatives in Corporate Governance

In recognition of the importance of the boards of directors to Crown corporations, the government has continued a number of initiatives.

One initiative, undertaken by Gérard Veilleux, past president of the CBC, studied the structure of boards of Crown corporations and recommended an approach to bring more objectivity and transparency to the appointment process for selecting directors. Mr. Veilleux also recommended a review of the size of boards of directors of Crown corporations.

The final report of the Agency Review, the government-wide review of agencies, boards, commissions, and advisory bodies was released by the Minister responsible for Public Service Renewal, the Honourable Marcel Massé, in February 1995. The Agency Review will lead to a fundamental reform to the appointment, and remuneration processes of Governor in Council (GiC) positions. These changes, which are already being implemented through legislation introduced in Bill C-65, will result in eliminating 114 GiC appointments to the boards of 22 Crown corporations.

Strengthening corporate governance practices was a major theme at the Conference, *Corporate Governance: Improving the Effectiveness of Crown Corporation Boards*, hosted by the President of the Treasury Board, the Honourable Arthur C. Eggleton. The Conference was held in Ottawa in October 1994. The Conference Proceedings provide a useful synopsis of views on improving the accountability of public enterprises.

In the last year, the Crown corporation portfolio...has undergone a significant restructuring and downsizing process.

An Advisory Group on Crown Corporations was formed...to provide general advice relating to the use of the corporate form by the government and to the management of the portfolio of federal Crown corporations.

In response to the feedback and suggestions from the Conference, an Advisory Group on Crown Corporations was formed. The Group's members are senior executives from both the public and private sector. The Group's mandate is to provide general advice relating to the use of the corporate form by the government and to the management of the portfolio of federal Crown corporations. The Group makes specific recommendations to the government to strengthen the effectiveness of boards of directors of Crown corporations.

Draft Guidelines on Corporate Governance for Crown Corporations are being prepared. These guidelines build on the guidelines for private sector corporations in *Where Were the Directors?* the final Report of the Committee on Corporate Governance to the Toronto Stock Exchange and apply them to Crown corporations. As well, the Group is considering the training and education needed by directors appointed to boards of Crown corporations.

Work on corporate governance has also been undertaken by other organizations during the last year. The Canadian Comprehensive Auditing Foundation produced *Six Characteristics of Effective Governance* and Volume 2 of the Auditor General's *1995 Annual Report* contained a chapter entitled "Crown Corporations: Fulfilling Responsibilities for Governance".

Revision of Crown Corporation Regulations

Since 1984, most Crown corporations have operated within the accountability framework established under Part X of the *Financial Administration Act* (FAA). In 1995, regulations to supplement the legislation governing Crown corporations were revised, based on extensive consultations with the Crown corporations and their auditors, including the Auditor General.

Two regulations were issued:

- Crown Corporations Corporate Plan, Budget and Summaries Regulations; and
- Crown Corporation General Regulations, 1995.

These regulations, approved on April 27, 1995 and May 2, 1995 respectively, introduced flexibilities without unduly increasing risk and corrected minor inconsistencies between the regulations and legislation.

Privatization and Commercialization a Growing Trend

Government equity holdings, assets and services are being considered for privatization, or at least placed on a more commercial basis wherever this can be shown to improve service and reduce costs while continuing to protect the public interest. Over time, this approach to better management will help to reduce financing requirements, debt servicing costs and the deficit. It will also contribute to better economic performance through increased efficiency, competition and new private sector investment.

The major initiatives in privatization during the past year were in Cameco Corporation, Petro-Canada, and the Canadian National Railway Company. The government recently sold its remaining interest in Cameco Corporation, a uranium producer, that

had been jointly owned with the government of Saskatchewan and private sector shareholders.

The government's shareholding in Petro-Canada was further reduced in September 1995 from 70 to 20 percent following a public share offering. The Government of Canada sold 123.9 million shares at $14.63 per share, payable on an instalment basis. The first instalment of $6.13 per share raised $693.2 million, after commissions. The government continues to hold 20 percent of the outstanding Petro-Canada shares. The money raised is paid into the Debt Reduction Service Account to reduce the government's debt.

Parliament recently authorized the sale to the public of all the government's interest in the Canadian National Railway Company, as part of a government priority to modernize the transport sector. An initial public offering is in process.

The government is negotiating the transfer of airport operations in some cities through long-term leases to Canadian Airport Authorities. Each Canadian Airport Authority, like the existing Local Airport Authorities operating airports in Vancouver, Calgary, Edmonton and Montreal, would be a not-for-profit (non-profit) corporation headed by a board of directors. Whereas local municipalities and local interest groups nominate all board members for the Local Airport Authority, the federal government would nominate at least one board member of each Canadian Airport Authority.

In February 1995, the Treasury Board adopted a Framework for Alternative Program Delivery that provides guidance to departments on a range of existing organizational approaches (including privatization, and the Special Operating Agency concept) that government could use to deliver services more efficiently.

Mandate Reviews are Underway

As part of the overall rationalization of programs and services, the government and several Crown corporations have undertaken a number of initiatives to rationalize operations and review mandates. Some of these initiatives and mandate reviews include:

- A major reform to the *National Transportation Act* announced in February 1995 which would lighten the regulatory burden and improve the competitiveness of the nation's railways.
- In June 1995 the Minister of Transport, the Honourable Douglas Young presented a vision for transportation. This vision, "Charting a New Course for Marine Transportation in Canada", outlined possible changes and identified some achievements in modernizing the sector during the last year.
- The Minister of Agriculture, the Honourable Ralph Goodale, established a Western Grain Marketing Panel in July 1995 to lead a comprehensive examination of western grain marketing issues. The panel will be expected to produce a report outlining the marketing possibilities it has identified.

The major initiatives in privatization during the past year were in Cameco Corporation, Petro-Canada, and the Canadian National Railway Company.

The government and several Crown corporations have undertaken a number of initiatives to rationalize operations and review mandates.

- The House of Commons Standing Committee on Transport, headed by Stan Keyes, held hearings where provincial government, shippers and the marine industry appeared. The Report of the Standing Committee on Transport made recommendations on how to improve the marine system.
- In November 1995 a mandate review of Canada Post and postal issues in general was announced by the Minister responsible for Canada Post Corporation. The review is being led by an independent chair who will be supported by an advisory committee consisting of representatives from the Department of Finance/Treasury Board Secretariat, the Privy Council Office, Public Works and Government Services Canada, and Industry Canada.
- The Farm Credit Corporation, the Export Development Corporation and the Business Development Bank of Canada (formerly the Federal Business Development Bank) all experienced legislative changes and had their mandates, and their access to financial resources, expanded in the last two years.
- The Senate Standing Committee on Banking, Trade and Commerce chaired by the Honourable Michael Kirby, began a committee study of Crown financial institutions in the fall of 1995. The Committee is examining the issue of how the federal government's financial institutions function in relation to the private sector.
- The February 1995 Budget Plan announced a mandate review of CBC, the Canadian Film Development Corporation and the National Film Board. The review, headed by Pierre Juneau, is under way. The review will advise the government on options for changes in priorities and possible changes to mandate, legislation and structure.
- In 1995 many corporations underwent some type of review and rationalization of operations, resources and services. Atomic Energy of Canada Limited, the National Arts Centre Corporation, the National Capital Commission, the Canada Council, the Standards Council, and VIA Rail Canada Inc., are some of the corporations that underwent a fundamental review process. The types of review varied from corporation to corporation. Specific details are provided in the Corporate Abstracts section that follows the Overview.

Restraint Measures are Ongoing

The February 1995 Budget announced an 11.8 percent reduction in planned appropriations for Crown corporations from $4.6 billion in 1994-95 to $4.1 billion in 1997-98.

In 1994-95 Crown corporations continued to comply with the spirit and intent of the government's wage restraint policy. Extended wage freeze measures affecting all public sector employees will be in place until 1997.

The coverage of the legislated freeze measures will be the same as that under the *Public Sector Compensation Act*, which now applies to 10 appropriation-dependent non-commercial Crown corporations. Crown corporations

classified as non-commercial such as the National Capital Commission are directly subject to the extended wage freeze.

Appropriation-dependent commercial Crown corporations will be funded as if their wages are frozen. All other Crown corporations have been asked to keep wage settlements in line with the government's wage restraint policy.

The Importance of Reporting to Parliament

The *Financial Administration Act* requires each scheduled Crown corporation to submit an annual report and corporate plan and budget summaries for tabling annually in Parliament. A well-functioning accountability framework is based on the receipt by Parliament and the government of useful information that will allow active judgment of corporate performance. The corporate plan summary serves to inform Parliament of the objectives of the corporation as approved by the government, and the corporation's plans for achieving these objectives. The annual report, in addition to financial statements and the auditor's report, also presents information on how well corporate objectives were met during the reporting period.

This Report contains a section entitled "Tabling of Reports in Parliament" which provides a record of reports tabled during the past year. Crown corporation reporting is monitored and the President of the Treasury Board writes to each Minister responsible for Crown corporations reminding them of the requirements for timely tabling of reports in Parliament and detailing the status of reports tabled within the appropriate timeframe.

Excellence in Reporting is Recognized

The Auditor General of Canada introduced the Award for Excellence in Annual Reporting by Crown Corporations in 1994. The award recognizes those corporations that provided the best accountability information and is intended to act as an incentive to corporations to improve their annual reporting to Parliament. The award's second recipients will be announced by the Auditor General, Denis Desautels, in December 1995.

Service Quality in Crown Corporations

In 1995, the government released its Declaration of Quality Service, which commits the government and its employees to delivering quality services within the resources Canada can afford. The government's Quality Service initiative is based on principles, such as good value for the tax dollar, which have long been embraced and implemented by Crown corporations.

Commercially-oriented Crown corporations, such as Canada Post and the port corporations, have long been responsive to their clients and have increased their quality of services while reducing the costs of delivering them. All Crown corporations have been active in varying degrees in developing service standards, consulting with clients and empowering their employees to meet the needs of clients at least cost.

All Crown corporations have been active in varying degrees in developing service standards.

CROWN CORPORATION PERFORMANCE

For the Crown corporation portfolio, 1994-95 was a year that focussed on restraint and shifting priorities.

For the Crown corporation portfolio, 1994-95 was a year that focussed on restraint and shifting priorities.

The government, through Program Review, began a rationalization of its programs and services including a review of Crown corporations which focussed on privatization, increasing commercialization, decreasing appropriations and increasing net income. Program Review is ongoing and further changes are anticipated.

At the end of this section, Exhibits 10 and 11 present the consolidated financial position and employment, as well as the operating results, for Crown corporations by sector.

Budgetary Appropriations Continue to Decline

In 1994-95 budgetary appropriations to the 27 Crown corporations which received them totalled $4,588 million as compared to $4,636 million in 1993-94. Exhibit 1 illustrates the trend in total budgetary appropriations from 1990-91 to 1994-95. Five corporations, as shown in Exhibit 2, received 81 percent of the appropriations to Crown corporations.

Generally, appropriations continue to decline. From 1993-94 to 1994-95, the largest decreases have occurred in: the Canadian Dairy Commission, Canadian Film Development Corporation, Cape Breton Development, Canada Mortgage and Housing, International Development Research Centre, Marine Atlantic, and VIA Rail Canada.

Exhibit 1
Total Budgetary Appropriations 1990-91 to 1994-95

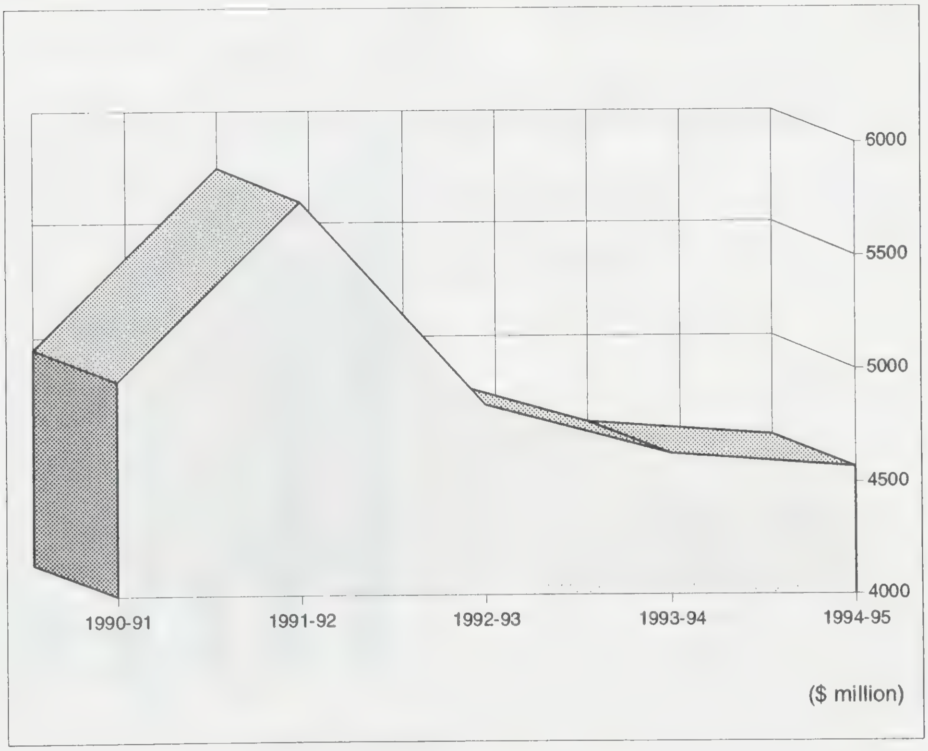
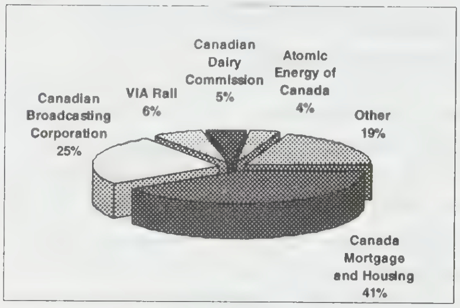


Exhibit 2
Largest Beneficiaries of Budgetary Appropriations, 1994-95



From 1993-94 to 1994-95, increases in appropriations went to: Atomic Energy of Canada, Canadian Broadcasting Corporation, Canadian Museum of Civilization, Canadian Museum of Nature, Enterprise Cape Breton, National Gallery of Canada, and Queens Quay West Land Corporation.

Exhibit 3 compares the total appropriations in 1990-91 to 1994-95 for the corporations with the largest budgetary appropriations.

Restraint Affects Crown Corporation Appropriations

The 1995 Budget announced further restraint measures affecting Crown corporations. From 1994-95 to 1997-98 these appropriations are expected to drop 11.8 percent from $4.6 billion to $4.1 billion. The reduction targets were set on a corporation by corporation basis, and the impact on the operations of some corporations will be greater than others.

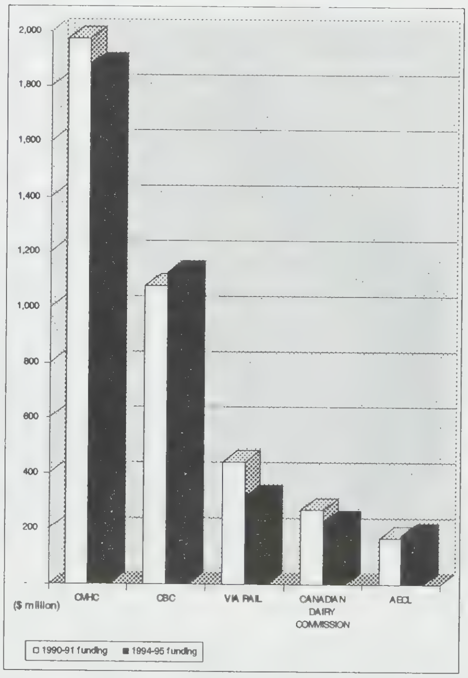
Crown corporations represent approximately 10 percent of the total government expenditure reductions in each of the next three years. The largest total accumulated proposed reductions to appropriations over the next three years are: Canada Mortgage and Housing Corporation with a total of $332 million; Canadian Broadcasting Corporation with a total of $306 million; Canadian Dairy Commission with a total of $261 million; and VIA Rail with a total of $60 million.

Rise in Debt Obligations

Since 1990-91, the total debt obligations of Crown corporations have increased by 12.5 percent to $39.4 billion in 1995 as shown in Exhibit 4. Of this amount, total government loans to Crown corporations were $12.8 billion. Crown corporation debt to the private sector, borrowed on the strength of direct or implicit guarantees by the government, was $26.7 billion.

Crown corporations with debt obligations greater than $1 billion are shown in Exhibit 5. These seven corporations account for 95 percent of total Crown corporation debt. Over the

Exhibit 3
Comparison of Budgetary Appropriations for the Five Largest Recipients



The 1995 Budget announced further restraint measures affecting Crown corporations.

Since 1990-91, the total debt obligations of Crown corporations have increased by 12.5 percent to $39.4 billion in 1995.

Exhibit 4
Total Obligations of Crown Corporations

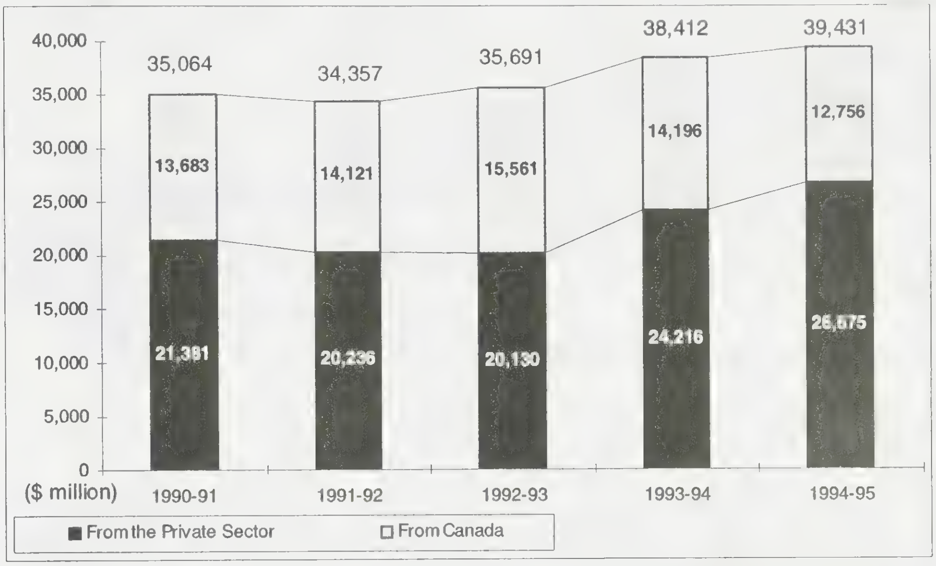
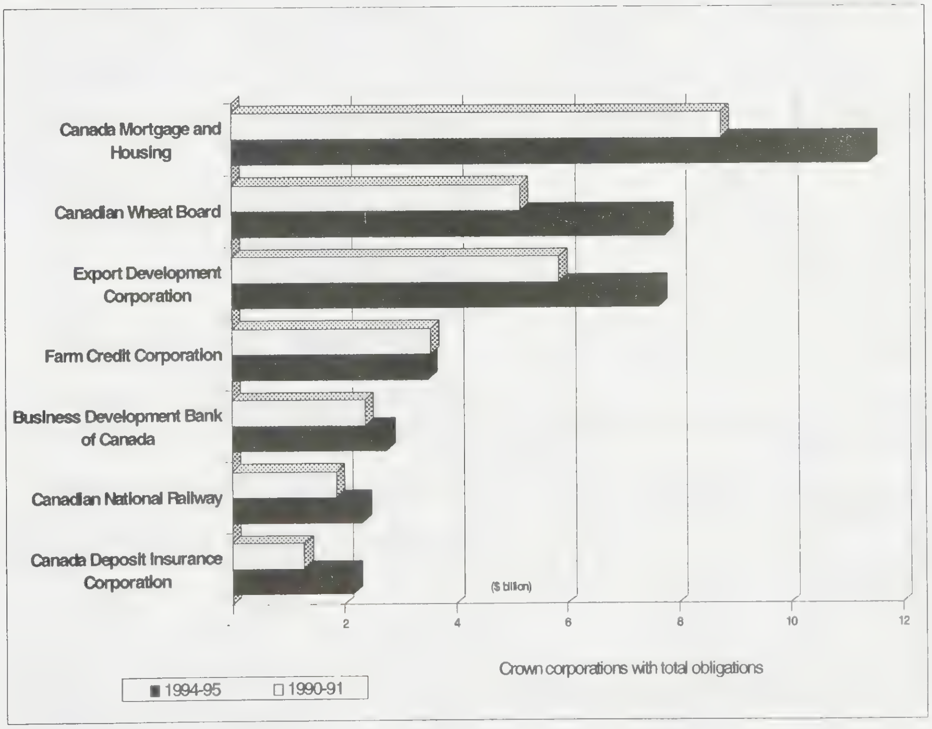


Exhibit 5
Comparison of Largest Debtors in 1994-95 with 1990-91



last five years, the same seven corporations have accounted for the largest total debt obligations. In 1994-95 increases occurred in CMHC to refinance mortgages on social housing projects previously held by private sector financial institutions; to Export Development Corporation to fund significantly higher Canadian exports; and to the Canadian Wheat Board for short-term borrowings related to wheat exports.

Improvement in Net Income

During 1994-95, significant improvement in net income was reported by four corporations: Canadian National moved from a loss of $79 million to a profit of $245 million; Canada Post moved from a loss of $270 million to a loss of $69 million; Atomic Energy of Canada Ltd. moved from a loss of $139 million to a profit of $7 million; and Export Development Corporation moved from a profit of $41 million to $171 million. Exhibit 6 shows those corporations with the greatest increase in net income. Except for Export Development Corporation, the improvement is largely attributable to non-recurring restructuring costs recorded in 1993-94.

These improvements were offset by a decrease in net income in several corporations. The largest decrease from 1993-94 was $102 million for the Canada Deposit Insurance Corporation. Canadian Broadcasting Corporation's loss increased by $41.3 million to a 1994-95 loss of $193.7 million. Canada Mortgage and Housing Corporation's loss increased $42 million from that recorded in the previous year.

Growth in Assets

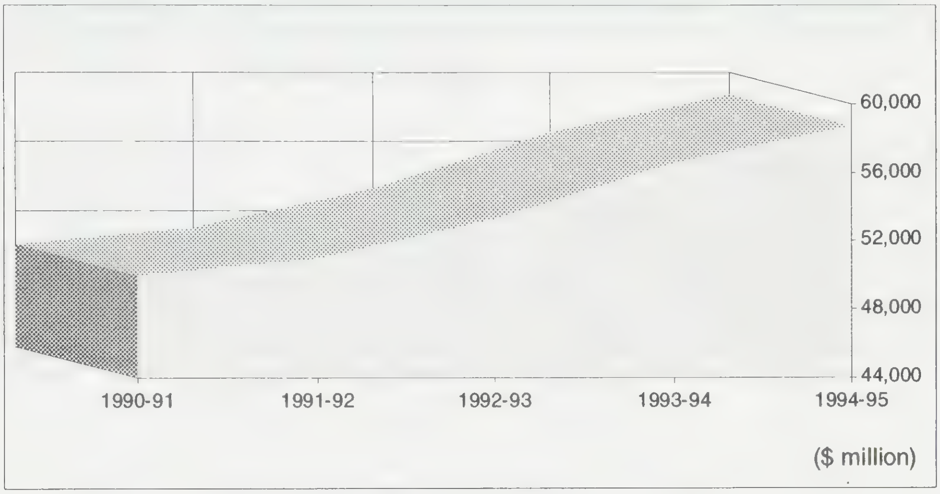
Exhibit 7 illustrates the growth of assets in Crown corporations. The total assets of Crown corporations increased by 4 percent or $2.2 billion from $56.5 billion in 1993-94 to $58.7 billion in 1994-95. This increase is primarily attributable to Canada Mortgage and Housing with an increase of $2.1 billion, resulting from refinancing mortgages on social housing projects previously held by private sector financial institutions; and Canadian National Railway with an increase of $0.7 billion. Over the last five years, the largest growth in assets is attributable to three corporations. Canada Mortgage and Housing Corporation had a $3.7 billion increase in assets to a total of $13.9 billion from 1990-91 to 1994-95. The Canadian Wheat Board had a growth in assets of $3.2 billion over five years to a total of $8.9 billion. The Export Development Corporation's growth in assets has been $2.3 billion since 1990-91 to a total of $9.4 billion.

The total assets of Crown corporations increased by $2.2 billion to $58.7 billion in 1994-95.

Exhibit 6
Corporations with the Largest Increases to Net Income

Corporation ($ million)	**Net Income** 1993-94	1994-95	**Total Increase**
Canadian National Railway	-79	245	324
Canada Post	-270	-69	201
Atomic Energy of Canada	-139	7	146
Export Development Corporation	41	171	130

Exhibit 7
Crown Corporation Assets



Employment Figures Continue to Shrink

Employment declined by 2.3 percent in 1994-95 to 112,353 full-time employees in Crown corporations. This represents a continuation of the 2.3 percent decline of 1993-94 and represents an 11.2 percent decrease since 1990-91, as shown in Exhibit 8.

Over the last five years, employment in Crown corporations decreased by 14,115 employees. The largest decreases were experienced by Canada Post Corporation, Canadian National Railway Company, and Canadian Broadcasting Corporation.

Future decreases are anticipated as part of the rationalization of resources and downsizing currently planned and under way .

Over the last five years, employment in Crown corporations decreased.

Exhibit 8
Employment in Crown Corporations

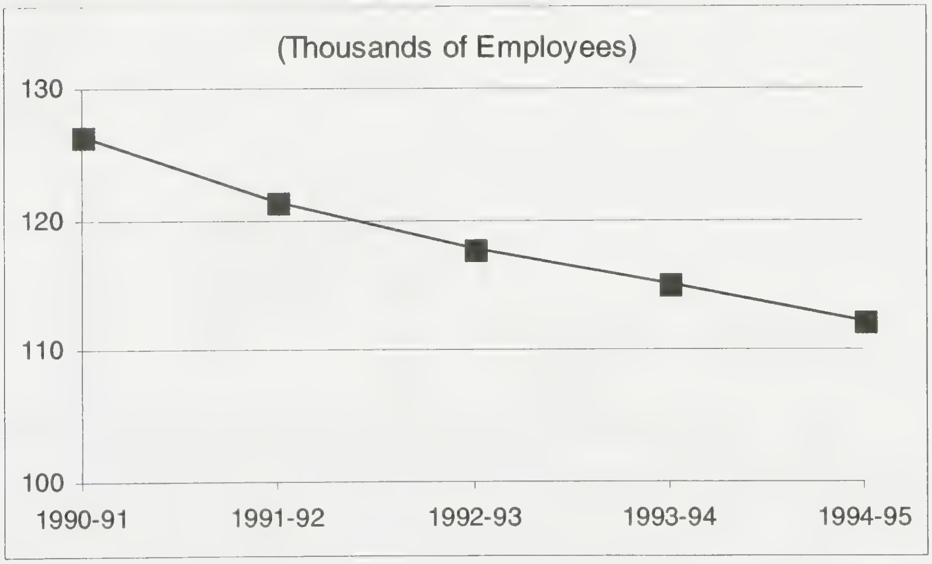


Exhibit 9

1995 PORTFOLIO OF PARENT CROWN CORPORATIONS GROUPED BY SECTOR

Agriculture and Fisheries

Assets: $9.1b *Employment: 559*

- Canadian Dairy Commission
- Canadian Saltfish Corporation
- The Canadian Wheat Board
- Freshwater Fish Marketing Corporation

Cultural

Assets: $1.9b *Employment: 10,901*

- Canada Council
- Canadian Broadcasting Corporation
- Canadian Film Development Corporation
- Canadian Museum of Civilization
- Canadian Museum of Nature
- National Arts Centre Corporation
- National Gallery of Canada
- National Museum of Science and Technology

Development and Construction

Assets: $0.4b *Employment: 1,025*

- Canada Lands Company Limited
- Defence Construction (1951) Limited
- National Capital Commission
- Old Port of Montreal Corporation Inc.*
- Queens Quay West Land Corporation

Energy and Resources

Assets: $1.8b *Employment: 6,146*

- Atomic Energy of Canada Limited
- Cape Breton Development Corporation
- Petro-Canada Limited

Financial Intermediaries

Assets: $17.6b *Employment: 2,404*

- Canada Deposit Insurance Corporation
- Enterprise Cape Breton Corporation
- Export Development Corporation
- Farm Credit Corporation
- Business Development Bank of Canada

Government Services

*Assets: $0.6b*** *Employment: 2,786*

- Bank of Canada
- Canada Development Investment Corporation
- Canadian Commercial Corporation
- Royal Canadian Mint
- Standards Council of Canada

Housing

Assets: $13.9b *Employment: 3,032*

- Canada Mortgage and Housing Corporation

Postal Services

Assets: $2.6b *Employment: 43,871*

- Canada Post Corporation

Transport

Assets: $10.8b *Employment: 41,159*

- Canadian National Railway Company
- Marine Atlantic Inc.
- Pilotage Authorities (four)
- Ports Canada (eight)
- The St. Lawrence Seaway Authority
- VIA Rail Canada Inc.

Development and Research

Assets: $0.04b *Employment: 470*

- International Development Research Centre

At the Corporate year-ends, on or before July 31, 1995; b = $billions

* The Old Port of Montreal Corporation Inc. is a wholly-owned subsidiary of the Canada Lands Comapny Limited but reports as a parent Crown corporation pursuant to section 86(2) of the *FAA*.

** Financial data for the Bank of Canada is not included.

SECTORAL ANALYSIS

Issues, Highlights, Trends

A priority of the government has been to modernize and rationalize the transport sector.

This part discusses significant developments in the Crown corporation portfolio during 1994-95. The parent Crown corporations have been grouped according to the sectors of the economy portrayed in Exhibit 9. The focus of this part is sectorally based. It provides an analysis of major issues, highlights and trends that affect each sector.

For specific information on the financial performance, corporate profile and highlights of individual Crown corporations, reference should be made to the Corporate Abstracts which appear in the next section.

Transport Sector

The transport sector represents the largest number — 16 of the 48 corporations — in the portfolio, comprising the port corporations, the pilotage authorities and the rail and marine corporations.

A priority of the government has been to modernize and rationalize the transport sector. The sector is facing tough world-wide competition. Traditional export markets are drying up and new ones are emerging. The commodity mix is also changing, for example, high-value container cargo traffic is increasing. The sector has to adjust to confront these challenges.

Rail

CN is the larger of Canada's two principal railroads, serving the major cities, ports and natural resource regions in Canada, with connections to most major U.S. railroads. The government announced its intent to sell CN in February 1995, which was followed by Parliament's approval of the *CN Commercialization Act* in July 1995. The Act authorized the sale to the public of all of the Government of Canada's interest in CN. Also announced in February was a major reform to the *National Transportation Act* which would lighten the regulatory burden and improve the competitiveness of the nation's railways.

The sale to the public of CN will position CN as a more competitive railroad in the North American market-place. Upon acceptance of the public offering, the government will provide $900 million of equity to the Corporation. These funds, together with proceeds from asset sales and cash generated by CN, will be used to reduce the Corporation's outstanding debt.

Non-rail assets of CN, including the CN Tower, having a value of $235 million, will be transferred to the government prior to the completion of the share offering. The Canada Lands Company Limited is being revitalized to handle the disposal of these real estate assets.

The Corporation has recently sold or entered into agreements for the sale of certain non-rail assets and businesses, including real estate properties and the oil and gas assets of CN Exploration.

The sale of CN will be the largest initial public offering in Canadian history.

The government anticipates receiving gross proceeds of approximately $2 billion from the sale of CN and the net proceeds when received will be applied to the government's Debt Reduction Service Account.

VIA Rail Canada is Canada's national passenger rail company. Since 1991 VIA's budgetary appropriations have been reduced by $74.6 million, from $392.8 million to $318.2 million. It is anticipated that appropriations will be reduced further. Increasing revenues are an important element of VIA's plan to reduce its budgetary appropriations. VIA increased revenues from $150 million in 1991 to $176 million in 1994.

Marine

Transportation is vitally important to Canada's economic well-being. The government recognizes that Canada has to modernize its marine transportation system. Various approaches are being studied. The House of Commons Standing Committee on Transport, headed by Stan Keyes, held hearings where representatives of the provincial governments, shippers and the marine industry appeared. The Report of the Standing Committee on Transport made recommendations on how to improve the marine system.

Transport Canada consulted with marine shippers and industry representatives at meetings in Saint John, Quebec City, St. Catharines, Winnipeg and Vancouver. The government plans to continue to consult extensively.

In June 1995 the Minister of Transport Douglas Young presented a new vision for transportation. This vision "Charting a New Course for Marine Transportation in Canada" outlined possible changes as well as identifying some achievements in modernizing the sector during the last year. All of these initiatives may result in a new National Marine Policy being announced.

The Minister of Transport is proposing a fundamental overhaul of the marine sector which would encompass the ports, pilotage, the St. Lawrence Seaway, ferry operations and the Coast Guard. Apart from the Coast Guard, the marine sector is dominated by Crown corporations: the 15 Ports Canada ports, comprising 50 percent of Canadian port activity; the four pilotage authorities; the St. Lawrence Seaway Authority and Marine Atlantic Inc.

The objective is to rationalize operations, commercialize activities, reduce subsidies and, where appropriate, restructure.

Cultural Sector

The cultural sector represents a significant portion of the Crown corporation portfolio with eight of the 48 parent Crown corporations: Canada Council; Canadian Broadcasting Corporation (CBC); Canadian Film Development Corporation (Telefilm); Canadian Museum of Civilization; Canadian Museum of Nature; National Arts Centre Corporation; National Gallery of Canada; and National Museum of Science and Technology.

This sector employs 10 percent of all Crown corporation employees, with a total of 10,901 employees as compared to 11,055 last year, a decrease of 154 employees.

The sale of Canadian National will be the largest initial public offering in Canadian history.

Appropriations to the Cultural Sector totalled $1.5 billion in 1994-95, an increase of $0.1 billion over 1994.

Appropriations to the sector totalled $1.5 billion in 1994-95, an increase of $0.1 billion over 1994. This increase in appropriations is primarily due to a number of the corporations assuming responsibility for accommodations from Public Works and Government Services Canada, and therefore receiving the funding to cover the associated costs. CBC received $1.1 billion in appropriations, the largest amount in this sector and the second largest for all Crown corporations. CBC's appropriations represent 21.7 percent of appropriations to Crown corporations.

In response to decreased appropriations for programming purposes and in anticipation of future decreases in appropriations, corporations in this sector are implementing plans that will reduce administrative costs, and are looking for alternative sources of funding. Each corporation's approach to these cuts is as unique as the corporation itself; the Corporate Abstract section provides specifics.

The February 1995 Budget announced a mandate review of CBC, the Canadian Film Development Corporation and the National Film Board. The review, headed by Pierre Juneau, is under way. The review will advise the government on options for changes in priorities and possible changes to mandate, legislation and structure.

Financial Intermediaries Sector

Five Crown corporations are categorized in this sector: the Canada Deposit Insurance Corporation, Enterprise Cape Breton Corporation, the Export Development Corporation (EDC), Farm Credit Corporation (FCC), and the Business Development Bank of Canada (formerly Federal Business Development Bank).

The sector has 2,404 employees, an increase of 14 since last year. The $29.7 million in appropriations made to the sector are to the Business Development Bank and Enterprise Cape Breton Corporation. Last year appropriations totalled $24.9 million, the increase is primarily attributable to Enterprise Cape Breton Corporation's increase of $5.8 million.

The Farm Credit Corporation, the Export Development Corporation and the Business Development Bank have all had their mandates, and their access to financial resources expanded in the last two years.

The Senate Standing Committee on Banking, Trade and Commerce, chaired by the Honourable Michael Kirby, began a committee study of Crown financial institutions in the fall of 1995. The Committee is examining the issue of how the federal government's financial institutions function in relation to the private sector.

In 1994-95 the three major lending corporations achieved substantial increases in net income. EDC increased its net income from $41 million to $171 million, an increase of $130 million; FCC increased its net income from $28 million to $43 million; and Business Development Bank increased its net income from $4.1 million to

$9.2 million. EDC and the Business Development Bank are focussing their activities on small and medium-sized businesses.

In September 1995, FCC declared a dividend of $4.0 million, the first dividend since a major overhaul of its legislation and mandate in 1958.

Canada Deposit Insurance Corporation incurred a significant reduction in net income. The 1993-94 income of $3.0 million was reduced by $102.5 million for a net loss of $99.5 million in 1994-95. The Corporation undertook two interventions of member organizations in 1994-95, Confederation Trust Company and Income Trust Company, and monitored the sale of North American Trust. The Corporation is reviewing issues such as risk assessment and intervention policies.

Energy and Resources Sector

The Atomic Energy of Canada Limited (AECL), Cape Breton Development Corporation, and Petro-Canada Limited comprise this sector. A total of 6,146 people were employed in the sector during 1994-95, a reduction 420 from the previous year. The reduction is primarily attributed to AECL, whose employees total 344 fewer than last year, and Cape Breton Development Corporation which had a reduction 76 employees.

Assets owned by the sector remain relatively constant at $1,799 million — an increase of $45 million over last year's total of $1,754 million.

AECL achieved a substantial increase in net income of $7.2 million, an increase of $145.9 million above last year's loss of $138.7 million, which included $132.4 million in asset write off and restructuring costs. AECL signed an agreement with China, continued work on reactors in South Korea, and completed construction of a reactor in Romania. As well, AECL undertook a significant re-organization that consolidated research activities into one structure.

In 1994-95 the three major lending corporations achieved substantial increases in net income.

Cape Breton Development Corporation achieved a five-year goal of becoming financially self-sufficient from government operating subsidies by April 1995. Despite a record mining income, the Corporation's net loss increased from $18.8 million in 1993-94 to a net loss of $20.7 million in 1994-95.

Petro-Canada *Limited* remains a parent Crown corporation, whose mandate is to settle the outstanding debt from when Petro-Canada operated as a Crown corporation. Petro-Canada was partly privatized in 1991 and is no longer a Crown corporation.

Housing Sector

Through the Canada Mortgage and Housing Corporation (CMHC) the government assists Canadians to obtain affordable and adequate shelter. The bulk of appropriations to the Corporation are for the social housing programs that help to subsidize the cost of shelter for low-income families.

CMHC also administers the mortgage insurance program and the mortgage backed securities program, and provides research information and support services to the housing industry in Canada. In 1994-95, CMHC received the largest budgetary appropriation, (41 percent) of all Crown corporations.

The bulk of appropriations to the Canada Mortgage and Housing Corporation are for the social housing programs that help to subsidize the cost of shelter for low-income families.

In 1994-95, the Corporation incurred its first loss for the Corporate Account of $6.3 million due to provincial and municipal borrowers exercising their prepayment option and the Corporation then refinancing these loans at lower interest rates.

CMHC achieved record levels of new insurance business primarily due to the First Home Loan Insurance program.

The Corporation's first full year in international capital markets was marked by raising $2 billion in medium-term financing on international and domestic bonds. These borrowings were used to refinance mortgages on social housing projects previously held by private sector financial institutions.

As a result of Program Review, funding for new social housing initiatives will be further reduced starting in 1995-96 and funding for housing research and administration will be reduced. Reductions to appropriations accumulated over the next three years for Canada Mortgage and Housing Corporation are proposed to be $332 million.

Postal Services Sector

Canada Post Corporation operates Canada's postal service on a self-sustaining basis. The Corporation has the largest number of employees — 43,871 of all Crown corporations. Canada Post incurred a net loss of $69 million in 1994-95 as compared to $270 million the previous year, an improvement of $201 million. The loss of $270 million in 1993-94 included a non-recurring restructuring charge of $223 million.

In December 1994, Canada Post and the Canadian Union of Postal Workers (CUPW) reached a tentative agreement on a new 30-month collective agreement to cover the period February 1995 to July 1997. The agreement was ratified in January 1995 by a large majority of the union membership, marking the first time that Canada Post and CUPW negotiated an agreement prior to the expiration of the previous contract.

Canada Post increased its rates for lettermail from 43 to 45 cents effective August 1, 1995. This was the first increase in the basic lettermail rate since January 1993.

Canada Post holds a 75 percent interest in Purolator Courier Limited, a domestic courier company. Including a full year of Purolator Courier's revenue helped increase the Corporation's consolidated revenue from operations by 15.3 percent.

A mandate review of Canada Post and postal issues in general was announced by the Minister responsible for Canada Post in November 1995. The review is being led by an independent chair who will be supported by an advisory committee consisting of representatives from the Department of Finance/Treasury Board Secretariat, the Privy Council Office, Public Works and Government Services Canada, and Industry Canada.

Agriculture and Fisheries Sector

Four corporations compose this sector — the Canadian Dairy Commission, Canadian Saltfish Corporation, the Canadian Wheat Board, and the Freshwater Fish Marketing Corporation.

Canadian Saltfish Corporation was retroactively dissolved effective March 31, 1995.

The objectives of each of the corporations is to market their products, either fish, wheat or dairy, so that producers receive a fair return for their labour and investment.

Three of the four corporations in this sector operate on a self-sustaining basis and receive no appropriations. The Canadian Dairy Commission received an appropriation of $242.6 million in 1992-93 which was decreased to $226.1 million in 1993-94. (Both the Dairy Commission and the Canadian Wheat Board have financial year ends of July 31, so they report financial and operating results one year behind other Crown corporations.)

The Wheat Board and the Dairy Commission faced a challenging year, as they had to deal with changes to the GATT trading rules which replace import quotas with tariff rate quotas and reduce export subsidies. During the year, the United States initiated an International Trade Commission investigation into the effect of Canadian grain imports on U.S. farm programs.

Development and Construction Sector

This sector comprises five corporations — Canada Lands Company Ltd., Defence Construction (1951) Ltd., National Capital Commission, Old Port of Montreal Corporation Inc., and Queens Quay West Land Corporation.

In 1994-95, the corporations in the sector received $133 million in budgetary appropriations a 15 percent increase from $116.4 million in 1993-94. The largest increases went to the National Capital Commission which rose from $89.5 million to $102.1 million, and Queens Quay West Land Corporation which had a $9.8 million appropriation in 1994-95 but no appropriation in 1993-94. Defence Construction's appropriation rose slightly from $17.2 million to $18.1 million in 1994-95. The only decrease was Old Port of Montreal which went from $9.7 million to $3 million in 1994-95. Employment decreased by 8 percent from 1,115 to 1,025 employees in the sector in 1994-95.

Three of the four corporations in the Agriculture and Fisheries Sector operate on a self-sustaining basis and receive no appropriations.

Canada Lands Company Ltd., is currently a non-operating corporation. Of its three subsidiaries, only the Old Port of Montreal Inc. is active, and reports as a parent Crown corporation. The Old Port's objective is to become financially independent by 1997-98. Its net income was $3.6 million in 1994-95 up from a $5 million loss the previous year.

Pursuant to the 1995 Budget, the government is revitalizing Canada Lands Company to facilitate and enhance the orderly disposal of the expected surplus federal properties arising from both restructuring and program review. In addition, as part of the commercialization of Canadian National Railway Company, some management personnel and selected real estate assets will be transferred to Canada Lands Company to maximize their value by disposing of them in an orderly fashion in the future.

In June 1994, the Governor in Council directed that Queens Quay West Land

In 1994-95, the corporations in the Development and Construction sector received $133 million in budgetary appropriations a 15 percent increase from $116.4 million in 1993-94.

Corporation be dissolved and that its assets and liabilities be transferred to the Canada Lands Company. The dissolution date has been extended from June 30, 1995 to January 31, 1996. Queens Quay West Land received $9.8 million, the first budgetary appropriations since 1991-92. The Corporation provided operating contributions to the Harbourfront Centre, the Harbourfront cultural entity. The role of Defence Construction (1951) Ltd. is changing as a result of downsizing and rationalization by the Department of National Defence (DND). The Corporation is fully funded by DND through its capital budget.

Government appropriations to the National Capital Commission (NCC) increased to $102.1 million in 1994-95; however, they are expected to decrease to $71 million by 1998. Revenues increased to $24 million. In the last year, NCC reviewed its resources, services and operations. It is restructuring operations with the aim of becoming half its current size by 1999.

Government Services Sector

This sector comprises five corporations: the Bank of Canada; Canada Development Investment Corporation; Canadian Commercial Corporation; the Royal Canadian Mint and the Standards Council of Canada.

The sector's assets total $596 million, a decrease of $72 million from last year's total of $668 million (excluding the Bank of Canada whose assets total $30 billion). Asset levels were reduced primarily in the Canada Development Investment Corporation, Canadian Commercial Corporation and the Royal Canadian Mint.

In 1994-95, total employment in the sector declined by 57 employees to 2,786.

The Royal Canadian Mint incurred its first ever loss in 1994-95 due to a reduced volume of business and a reduction in gross margins. The Mint is undertaking a review of the Canadian circulation coin system to identify future requirements and cost savings.

The Canada Development Investment Corporation increased its net income by $10.9 million to a loss of $21.8 million. The Corporation disposed of its interest in Cameco and has plans for the disposition of all its remaining assets.

The Canadian Commercial Corporation achieved an increased net income despite a reduction in revenues. The Canadian Commercial Corporation has been asked by the government to expand its support of exports, particularly by small and medium-sized businesses.

The Bank of Canada's monetary policies helped to maintain a low level of inflation throughout the year.

Development and Research Sector

In 1994-95, the International Development Research Centre (IDRC) funded a total of $90 million in development research. IDRC received some $16.3 million in external funding, representing a 63.5 percent increase over the previous year. As well, the Centre has reduced operating costs from 34 to 28 percent of total expenditures.

In anticipation of future reductions in appropriations, the Centre will focus on revenue generation from external sources such as consulting and contract

management services, participation with other partners in ventures, and royalties from the use of technologies developed.

Other Corporate Interests

The Government of Canada has interests in corporations or organizations, other than Crown corporations. These interests encompass corporations with share capital owned jointly by Canada through share ownership or board membership with other organizations or other governments. For corporations without share capital, for example, non-profit corporations, the government may have a legal right to appoint or approve the appointment of some or all members to the board of directors. And in organizations formed pursuant to an international agreement, the government may have a right to appoint or approve the appointment of some members to the governing body.

In 1994-95, significant developments occurred in the following entities. Further information can be found in the "Other Corporate Interests" section of the Report.

Petro-Canada

In September 1995, there was a further reduction in the government's 70 percent shareholding in Petro-Canada. The Government of Canada sold 123.9 million shares at $14.63 per share, payable on an instalment basis. The first instalment of $6.13 per share raised $693.2 million, after commissions. The second instalment of $4.25 per share will be payable in September 1996 and the third instalment of $4.25 per share will be payable in March 1997. The government continues to hold 20 percent of the outstanding Petro-Canada shares. The money raised is paid into the Debt Reduction Service Account to reduce the government's debt.

There was a reduction from 70 to 20 percent in the government's shareholding in Petro-Canada.

Canada Hibernia Holding Corporation

The Hibernia project is located 315 kilometres from St. John's Newfoundland. The project is expected to yield 525 to 650 million barrels of oil from production starting in late 1997. In 1993, the government acquired 8.5 percent of Gulf's original 25 percent ownership interest in the Hibernia project. In March 1993, Canada Hibernia Holding Company (CHHC) acquired the government's 8.5 percent interest. CHHC is a wholly-owned subsidiary of Canada Development Investment Corporation and has as its objective managing and eventually disposing of the interest.

In September 1995, the government authorized CHHC to enter into a lease, along with Petro-Canada, for a specialized tanker to transport its share of Hibernia oil. The tanker will be constructed by Samsung Heavy Industries Co. of Korea because no Canadian firms tendered bids as none have the capacity to construct a tanker of the size required. The tanker will be Canadian crewed and flagged. It will be majority owned by Canadian investors who will hold approximately 65 percent of the investment.

By the time production begins in 1997, the government will have invested $1.4 billion in the Hibernia project through contributions and direct investment in CHHC. In addition, the government has provided $432 million in interest-free loans and $1.8 billion in loan guarantees to members of the consortium.

By the time production begins in 1997, the government will have invested $1.4 billion in the Hibernia project through contributions and direct investment in Canadian Hibernia Holding Corporation.

Cooperative Energy Corporation

The company was wound down during the year, and its statutory authority, the *Cooperative Energy Act,* was repealed. The company was established as the government's holding company for the equity interest in Co-enerco Resources Ltd., which was sold in 1993.

Canarctic Shipping Company Limited

As part of the government's proposed changes to marine policy, the feasibility of divesting the government's shares is being examined.

Cameco Corporation

The government's interest in the Corporation was held through Canada Eldor Inc. Canada Eldor sold the remaining 3 million shares, representing a 5.7 percent interest, of Cameco in February 1995. Net proceeds from the sale were $88.6 million. Debt agreements were signed which allowed the Department of Finance to assume all of Canada Eldor's remaining debt.

Exhibit 10

EMPLOYMENT AND FINANCIAL POSITIONS

(as of year-ends on or before July 31, 1995; $ millions)

	Financial Position				
Corporation by Sector	Total Assets	Current Liabilities	Long-term Liabilities	Equity	Employ-ment
Canadian Dairy Commission	176.4	105.5	70.9	0.0	57
Canadian Saltfish Corporation	0.3	0.0	0.0	0.3	0
Canadian Wheat Board	8,858.6	2,028.5	6,830.1	0.0	464
Freshwater Fish Marketing Corporation	17.5	13.3	0.0	4.2	38
Total Agriculture and Fisheries Sector	**9,052.8**	**2,147.3**	**6,901.0**	**4.5**	**559**
Canada Council	158.8	37.1	0.0	174.4	217
Canadian Broadcasting Corporation	1,613.0	282.3	592.0	738.6	9,015
Canadian Film Development Corporation	49.0	9.3	1.0	38.8	166
Canadian Museum of Civilization	30.5	12.8	2.0	15.6	466
Canadian Museum of Nature	19.2	11.6	3.5	4.2	242
National Arts Centre Corporation	20.0	8.8	1.0	10.1	285
National Gallery of Canada	19.0	7.2	3.8	7.9	285
National Museum of Science and Technology	9.7	3.0	1.4	5.3	225
Total Cultural Sector	**1,919.1**	**372.1**	**604.8**	**994.9**	**10,901**
Canada Lands Company Ltd.	0.0	0.0	0.0	0.0	0
Canada Lands (Vieux Port de Québec) Inc.[1]	0.5	0.3	0.0	0.2	0
Canada Museums Construction Inc.[1]	2.1	1.3	0.0	0.9	0
Defence Construction (1951) Ltd.	3.0	1.4	1.8	(0.2)	210
National Capital Commission	377.7	34.1	15.7	327.9	740
Old Port of Montreal Corporation Inc.[2]	2.0	2.5	0.3	0.0	69
Queens Quay West Land Corporation	8.5	2.6	45.8	(39.9)	6
Total Development and Construction Sector	**393.9**	**42.0**	**63.7**	**288.9**	**1,025**
Atomic Energy of Canada Ltd.	878.2	197.0	207.1	474.1	3,943
Cape Breton Development Corporation	367.0	52.2	42.3	272.4	2,203
Petro-Canada Limited	554.0	48.0	505.0	1.0	0
Total Energy and Resources Sector	**1,799.2**	**297.3**	**754.4**	**747.5**	**6,146**
Business Development Bank of Canada (formerly Federal Business Development Bank)	3,145.7	1,427.7	1,429.3	288.8	967
Canada Deposit Insurance Corporation	1,117.2	860.4	1,993.9	(1,747.1)	87
Enterprise Cape Breton Corporation	4.5	2.0	0.3	2.2	41
Export Development Corporation	9,375.0	2,071.0	6,213.0	1,091.0	549
Farm Credit Corporation	3,986.3	538.2	3,088.5	359.6	760
Total Financial Intermediaries Sector	**17,628.7**	**4,899.3**	**12,725.0**	**(5.5)**	**2,404**

1. Four wholly-owned subsiadiaries have been added to the table because their financial affairs are not consolidated with their parent Crown corporation.
2. The Old Port of Montreal is a wholly-owned subsidiary of the Canada Lands Company which has been directed to report as a parent Crown corporation.

Exhibit 10

EMPLOYMENT AND FINANCIAL POSITIONS

Corporation by Sector	Financial Position: Total Assets	Current Liabilities	Long-term Liabilities	Equity	Employ-ment
Bank of Canada[3]	-	-	-	-	2,066
Canada Development Investment Corporation	126.4	28.1	0.0	98.3	8
Canadian Commercial Corporation	384.3	365.1	0.9	18.3	81
Royal Canadian Mint	82.5	16.0	5.9	60.6	563
Standards Council of Canada	3.3	1.1	0.2	1.9	68
Total Government Services Sector	**596.5**	**410.3**	**7.1**	**179.1**	**2,786**
Canada Mortgage and Housing Corporation					3,032
Administered Funds	2,093.1	6.1	2,135.8	(48.8)	
Corporate Account	11,768.9	698.2	11,027.0	43.7	
Minister's Account	0.0	0.0	0.0	0.0	
Total Housing Sector	**13,862.0**	**704.3**	**13,162.8**	**(5.1)**	**3,032**
Canada Post Corporation	2,564.6	889.1	677.5	998.0	43,871
Total Postal Services Sector	**2,564.6**	**889.1**	**677.5**	**998.0**	**43,871**
Atlantic Pilotage Authority	1.8	0.8	0.6	0.4	77
Canada Ports Corporation	249.6	18.4	240.1	(9.0)	280
Canadian National Railway Company	7,809.0	1,381.0	3,771.0	2,657.0	32,667
Great Lakes Pilotage Authority	7.6	3.5	2.5	1.7	80
Halifax Port Corporation	67.5	3.2	0.7	63.6	68
Laurentian Pilotage Authority	8.1	7.2	0.7	0.1	241
Marine Atlantic Inc.	396.1	38.9	370.4	(13.2)	2,110
Montreal Port Corporation	235.4	12.9	7.6	214.9	349
Pacific Pilotage Authority	6.4	2.5	0.6	3.3	168
Port of Quebec Corporation	61.8	2.3	7.2	52.3	88
Prince Rupert Port Corporation	111.6	1.9	15.3	94.4	17
Saint John Port Corporation	64.1	2.0	38.2	23.9	36
St. John's Port Corporation	16.5	0.7	0.1	15.7	13
St. Lawrence Seaway Authority	592.9	9.5	12.9	570.6	731
Jacques Cartier & Champlain Bridges Inc.[1]	20.3	5.4	0.4	14.6	37
Seaway International Bridge Corp. Ltd.[1]	2.9	1.4	1.5	0.0	20
Vancouver Port Corporation	382.9	22.3	3.6	357.1	145
VIA Rail Canada Inc.	790.4	107.9	55.6	626.9	4,032
Total Transport Sector	**10,825.0**	**1,621.8**	**4,529.0**	**4,674.3**	**41,159**
International Development Research Centre	43.3	13.7	3.6	26.0	470
Development and Research Sector	**43.3**	**13.7**	**3.6**	**26.0**	**470**
Grand Total	**58,685.0**	**11,397.1**	**39,428.7**	**7,902.5**	**112,353**

3. Financial data for the Bank of Canada is excluded from the table due to the unique nature of its operations. The corresponding data is available in the corporation's corporate abstract.

Exhibit 11

OPERATING RESULTS AND FINANCING

(as of year-ends on or before July 31, 1995; $ millions)

	Operating Results		Financing		
			Changes to Net Borrowings		
Corporation by Sector	*Net Income*	*Cash Flow*	*Private Sector*	*Canada*	*Budgetary Appropriations*
Canadian Dairy Commission	13.5	n/a	(18.0)	9.7	226.1
Canadian Saltfish Corporation	(0.5)	(0.4)	0.0	(3.7)	0.0
Canadian Wheat Board, The	669.5	n/a	131.7	0.0	0.0
Freshwater Fish Marketing Corporation	0.0	1.2	1.1	0.5	0.0
Total Agriculture and Fisheries Sector	**682.5**	**0.8**	**114.8**	**6.5**	**226.1**
Canada Council	2.1	3.0	0.0	0.0	98.4
Canadian Broadcasting Corporation	(193.7)	(32.1)	(1.7)	(33.0)	1,126.9
Canadian Film Development Corporation	(112.0)	(110.9)	0.0	0.0	122.3
Canadian Museum of Civilization	(48.2)	(45.9)	0.0	0.0	50.1
Canadian Museum of Nature	(23.3)	(22.0)	0.0	0.0	27.4
National Arts Centre Corporation	(21.7)	(19.1)	0.0	0.0	24.2
National Gallery of Canada	(34.4)	(32.7)	0.0	0.0	34.4
National Museum of Science and Technology	(21.7)	(20.6)	0.0	0.0	20.9
Total Cultural Sector	**(452.8)**	**(280.5)**	**(1.7)**	**(33.0)**	**1,504.6**
Canada Lands Company Ltd.	0.0	0.0	0.0	0.0	0.0
Canada Lands (Vieux Port de Québec) Inc.[1]	0.0	0.0	0.0	0.0	0.0
Canada Museums Construction Inc.[1]	0.8	0.0	0.0	0.0	0.0
Defence Construction (1951) Ltd.	0.6	1.8	0.0	0.0	18.1
National Capital Commission	(17.5)	(7.6)	0.0	0.0	102.1
Old Port of Montreal Corporation[2]	3.6	(2.3)	0.0	0.0	3.0
Queens Quay West Land Corporation	(14.9)	(14.9)	0.0	0.0	9.8
Total Development and Construction Sector	**(27.3)**	**(23.1)**	**0.0**	**0.0**	**133.0**
Atomic Energy of Canada Ltd.	7.2	5.2	(2.4)	(1.3)	180.0
Cape Breton Development Corporation	(20.7)	14.0	0.0	0.0	25.4
Petro-Canada Limited	1.0	1.0	26.0	0.0	0.0
Total Energy and Resources Sector	**(12.5)**	**20.2**	**23.6**	**(1.3)**	**205.5**
Business Development Bank of Canada (formerly Federal Business Development Bank)	9.2	59.1	105.4	0.0	14.2
Canada Deposit Insurance Corporation	(99.5)	323.9	0.0	(1,002.7)	0.0
Enterprise Cape Breton Corporation	(15.7)	(15.1)	0.0	0.0	15.6
Export Development Corporation	171.0	298.0	36.0	0.0	0.0
Farm Credit Corporation	42.7	63.1	220.3	(52.0)	0.0
Total Financial Intermediaries Sector	**107.7**	**729.1**	**361.7**	**(1,054.7)**	**29.7**

1. Four wholly-owned subsiadiaries have been added to the table because their financial affairs are not consolidated with their parent Crown corporation.
2. The Old Port of Montreal is a wholly-owned subsidiary of the Canada Lands Company which has been directed to report as a parent Crown corporation.

Exhibit 11

OPERATING RESULTS AND FINANCING

	Operating Results		Financing		
			Changes to Net Borrowings		
Corporation by Sector	*Net Income*	*Cash Flow*	*Private Sector*	*Canada*	*Budgetary Appropriations*
Bank of Canada[3]	-	-	-	-	-
Canada Development Investment Corporation	(21.8)	0.2	(461.7)	(0.3)	0.0
Canadian Commercial Corporation	1.3	1.3	0.0	0.0	13.2
Royal Canadian Mint	(3.5)	(0.6)	0.0	(2.7)	0.0
Standards Council of Canada	0.4	0.5	0.0	0.0	5.4
Total Government Services Sector	**(23.6)**	**1.5**	**(461.7)**	**(3.0)**	**18.6**
Canada Mortgage and Housing Corporation	-	-	-	-	-
Administered Funds	(87.2)	213.0	0.0	0.0	0.0
Corporate Account	(6.3)	(2.4)	2,099.5	(334.0)	0.0
Minister's Account	0.0	0.0	0.0	0.0	1,879.2
Total Housing Sector	**(93.5)**	**210.5**	**2,099.5**	**(334.0)**	**1,879.2**
Canada Post Corporation	(68.9)	169.9	0.0	0.0	14.0
Total Postal Services Sector	**(68.9)**	**169.9**	**0.0**	**0.0**	**14.0**
Atlantic Pilotage Authority	(0.7)	(0.5)	(0.1)	0.0	0.9
Canada Ports Corporation	5.3	18.3	(10.5)	0.0	0.0
Canadian National Railway Company	245.0	490.0	333.0	(19.0)	0.0
Great Lakes Pilotage Authority	3.3	3.5	0.0	0.0	0.6
Halifax Port Corporation	0.5	2.7	0.0	0.0	0.0
Laurentian Pilotage Authority	(3.2)	(3.0)	(0.4)	0.0	5.0
Marine Atlantic Inc.	0.2	2.1	0.0	0.0	108.7
Montreal Port Corporation	8.7	20.4	0.0	(0.6)	0.0
Pacific Pilotage Authority	(1.6)	(1.4)	0.0	0.0	0.0
Port of Quebec Corporation	(2.0)	1.2	0.0	0.0	0.0
Prince Rupert Port Corporation	0.9	3.3	0.0	(0.4)	0.0
Saint John Port Corporation	(20.4)	1.8	0.0	0.0	0.0
St. John's Port Corporation	0.4	1.3	0.0	0.0	0.0
St. Lawrence Seaway Authority	17.4	32.3	0.0	0.0	0.0
Jacques Cartier & Champlain Bridges Inc.[1]	(33.3)	(32.1)	0.0	0.0	32.1
Seaway International Bridge Corp. Ltd.[1]	0.0	1.0	0.2	0.0	0.0
Vancouver Port Corporation	15.8	27.0	0.0	(0.3)	0.0
VIA Rail Canada Inc.	(39.3)	10.1	0.0	0.0	318.2
Total Transport Sector	**197.0**	**578.0**	**322.2**	**(20.3)**	**465.5**
International Development Research Centre	1.1	2.2	0.0	0.0	111.9
Development and Research Sector	**1.1**	**2.2**	**0.0**	**0.0**	**111.9**
Grand Total	**309.7**	**1,408.5**	**2,458.4**	**(1,439.8)**	**4,588.0**

3. Financial data for the Bank of Canada is excluded from the table due to the unique nature of its operations. The corresponding data is available in the corporation's corporate abstract.

Corporate Abstracts

INTRODUCTION

This section of the Annual Report provides information intended to assist readers in understanding the public policy mandate, the historical background, the major issues, and the performance and condition of each Crown corporation. Readers wishing to obtain further information about a particular corporation and its activities should contact the corporation at the address or telephone number provided.

Description of the Corporate Abstracts

Each corporate abstract contains the following information:

Mandate and Background

The broad policy objectives that guide the direction of the corporation and underlie its creation and continued existence are described.

Corporate Profile

A brief description of the structure and main activities of each corporation is provided.

Corporate Highlights

Standard information on the corporation's performance is presented. Information has been obtained from the corporation's annual report and corporate plan summary.

Reference Sources

The key individuals responsible for the management and accountability of the corporation, including the appropriate Minister, the Chairperson of the Board of Directors, the Chief Executive Officer, and the external auditors are identified. The head office address is provided. It also shows how the corporation was incorporated and its current agency status. Agency status refers to a corporation created by or on behalf of the Crown and acting for a public purpose, that attracts the same immunities, privileges and prerogatives as enjoyed by the Crown, that could bind the Crown by its acts and for which the Crown may be liable and which is accountable to a responsible Minister.

Financial Summary

This table provides five years of comparative financial information showing the corporation's financial position, its operational performance and the funding received from, and payments to, Canada. In addition, it presents a five-year employment history. The glossary of terms used is provided on the next page.

GLOSSARY OF FINANCIAL TERMS

Financial Position:

Total Assets: represents all assets reported by the corporation in its audited financial statements.

Loans from Private Sector: short-term borrowings, long-term borrowings, capital leases plus any other debt-like instruments. For the marketing boards (Canadian Dairy Commission, the Canadian Wheat Board, and Freshwater Fish Marketing Corporation), loans may include payments accruing to farmers, dairy producers and fishers.

Loans from Canada: short-term borrowings, long-term borrowings, advances from the Government of Canada for working capital or other purposes, and other debt-like instruments.

Shareholder's Equity: represents the equity of Canada. For some corporations, the excess of assets over liabilities is not deemed to be equity of Canada because of the nature of their operations (i.e. marketing boards).

Operations:

Revenues: includes revenues from all sources generated by the corporation. The amount includes income from commercial activities and interest income. It would also include income such as gain on sale of assets, and parliamentary appropriations where these are specifically included in revenues by the corporation.

Net Income (Loss): represents the after tax income, where applicable, and any extraordinary items. It includes parliamentary appropriations where the corporations have included these in the computation of Net Income (Loss). In some cases, Net Income (Loss) is the "excess of parliamentary appropriations over cost of operations" or "excess of proceeds over expenditures".

Cash Flow: represents Net Income (Loss) from operations plus or minus non-cash charges (or credits) to operations, for example, depreciation, amortization, gain on disposal of assets, write down of properties, etc. Cash flow does not include changes in working capital items. It does include parliamentary appropriations where the corporation includes these in the computation of net income.

Funding From Canada:

Budgetary (operating and capital expenditures): are parliamentary appropriations for capital and operating purposes. The amounts exclude grants and contributions paid to Crown corporations where they qualify as members of a general class of recipients. Budgetary appropriations increase the expenditures of Canada and thus have a direct impact on the amount of the government's surplus or deficit.

Non-Budgetary (loans and investments): represents loans and ownership interests (i.e. contributed capital or share capital) invested by the Government of Canada during the year. These loans and investments do not have an impact on the government's expenditures as they are recorded as assets of Canada. At the end of the fiscal year (March 31), a general provision for valuation is taken in the accounts of Canada on the entire stock of loans and investments to reflect estimated realizable value.

Payments To Canada:

Loan Repayments: payments made during the year by the corporation to the Government of Canada on loans outstanding.

Dividends: are dividends declared by the corporation during the fiscal year of the corporation. This figure includes cash recoveries by Canada (where applicable), and other types of payments or contributions made to Canada. Dividends may be paid by the corporation to the Government of Canada before or after the corporation's year-end.

Employment:

Presents the number of full-time employees obtained from sources such as an annual report, financial statements or a corporate plan and are as at the fiscal year-end of the Crown corporation. The data includes the parent corporation and its wholly-owned subsidiaries; full-time staff, and employees outside of Canada. The exceptions are: data for the **Canada Development Investment Corporation** which relate to the parent corporation only; and data for the four **Pilotage Authorities** which include contract pilots.

ATLANTIC PILOTAGE AUTHORITY

Mandate and Background

The Atlantic Pilotage Authority operates, maintains and administers a safe and efficient pilotage service within designated waters in and around the Atlantic provinces.

Corporate Profile

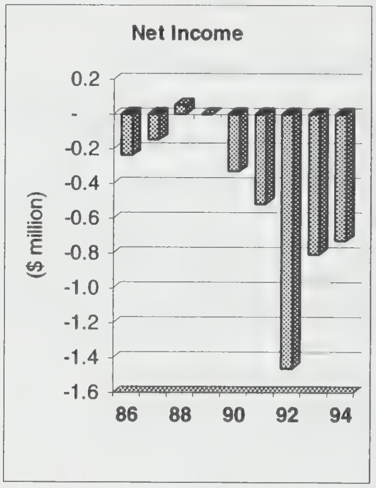
The Authority, with the approval of the Governor in Council, makes regulations that prescribe the establishment of compulsory pilotage areas; the ship or classes of ships which are subject to compulsory pilotage; the circumstances under which compulsory pilotage may be waived; the tariffs or pilotage charges; and the classes of licences and classes of pilotage certificates that may be issued. The Authority is required to set fair and reasonable tariffs that ensure self-sustaining operations.

Corporate Highlights

The Authority is attempting to reduce its deficit and break even by 1996. The 1994 financial projections were not met leaving the Authority in a deficit position, due to a two percent reduction in traffic throughout the region. However, the Authority is on target to break even in 1996. To reach its financial goal, an increase in tariffs is being requested and pilotage rosters are being monitored to maximize gains and keep costs down without reducing efficiency.

The Minister of Transport is considering a fundamental overhaul of the marine sector which encompasses the ports, pilotage, the St. Lawrence Seaway, ferry operations and the Coast Guard. Apart from the Coast Guard, the marine sector is dominated by Crown corporations: the 15 Ports Canada ports, comprising 50 percent of Canadian port activity; the four pilotage authorities; the St. Lawrence Seaway Authority and Marine Atlantic Inc. The government's objective is to rationalize operations, commercialize activities, reduce subsidies and restructure the corporate form.

If a new marine policy is put in place, it will have a significant effect on the Atlantic Pilotage Authority.



Source: Atlantic Pilotage Authority Annual Report 1994.

ATLANTIC PILOTAGE AUTHORITY

Chairman and Chief Executive Officer	C.R. (Ted) Worthington
Head Office	Purdy's Wharf, Suite 1402, Tower 1 1959 Upper Water Street Halifax, Nova Scotia, B3J 3N2 (902) 426-2550 Facsimile: (902) 426-4004
Incorporation and Status	1972; pursuant to the *Pilotage Act* (R.S.C. 1985, c. P-14); Schedule III, Part I of the *Financial Administration Act*; Not an agent of Her Majesty.
Appropriate Minister	The Honourable Douglas Young, P.C., M.P., Minister of Transport
Auditor	Auditor General of Canada

Financial Summary ($ million) Financial year ending December 31.

	1994	1993	1992	1991	1990
Financial Position					
Total Assets	1.8	1.8	2.4	2.1	2.4
Loans from Private Sector	0.1	0.2	0.3	0.6	0.4
Loans from Canada	0.0	0.0	0.0	0.0	0.1
Shareholder's Equity	0.4	0.2	0.7	0.4	0.9
Operations					
Revenues	6.9	6.9	6.5	7.5	7.3
Net Income	(0.7)	(0.8)	(1.5)	(0.5)	(0.3)
Cash Flow	(0.5)	(0.6)	(1.2)	(0.3)	(0.1)
Funding from Canada					
Budgetary (operating & capital expenditures)	0.9	0.3	1.8	0.0	0.2
Non Budgetary (loans and investments)	0.0	0.0	0.0	0.0	0.0
Payments to Canada					
Loan Repayments	0.0	0.0	0.0	0.1	0.1
Dividends	0.0	0.0	0.0	0.0	0.0
Employment	77	77	75	74	77

ATOMIC ENERGY OF CANADA LIMITED

Mandate and Background

Atomic Energy of Canada Limited (AECL) undertakes research into atomic energy, as well as prepares and develops its commercial applications.

AECL operates research and development laboratories at Chalk River, Ontario and at Pinawa, Manitoba, as well as business, engineering, and design offices in Ottawa, Toronto, Montreal, Saskatoon and Fredericton.

Corporate Profile

AECL's accomplishments include the development of a variety of products and services that are now in use worldwide. The CANDU reactor, designed by AECL, supplies almost one-fifth of Canada's electricity requirements and is an important component of the energy programs in five other countries.

Corporate Highlights

In November 1994 Canada signed a Nuclear Cooperation Agreement with China. The agreement paved the way for a Memoranda of Understanding between AECL and China's National Nuclear Corporation which commits the parties to work jointly to develop commercial contacts and begin construction on two CANDU reactors.

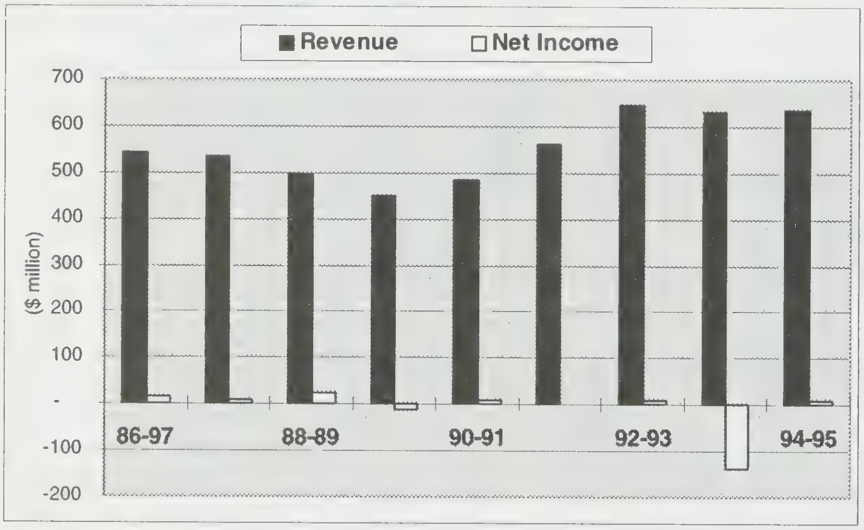
During the year, AECL's scope of work on South Korea's Wolsong Units 2, 3 and 4 progressed, with effective participation of AECL's subcontractors, the Korea Atomic Energy Research Institute (KAERI), HANJUNG, KOPEC and Canatom/NPM and the Korea Electric Power Corporation. Overall, the Wolsong project, which is managed by KEPCO, had achieved 45 percent completion by year end.

In Romania, the focus of activity over the year was the completion of construction and the commissioning of Unit 1 in preparation for startup at the end of 1995 or early 1996.

AECL plans to focus future marketing efforts on South Korea, Turkey, Egypt and Indonesia.

AECL's Nuclear Fuel Waste Management Program reached an important milestone in 1994, after 15 years of research, with the submission of a comprehensive Environmental Impact Statement. The statement describes the fuel waste disposal concept to the Canadian Environmental Assessment Agency for a panel review and public scrutiny.

AECL completed a rationalization of its organizational structure. As a result, the two previously semi-autonomous divisions of AECL CANDU and AECL research were consolidated into one structure. Management and support staff positions were streamlined and staff were matched to commercial workloads. The result was a reduction of full time staff of 8 percent.



Source: AECL Annual Report 1994-95.

ATOMIC ENERGY OF CANADA LIMITED

Chairperson	Robert F. Nixon
President and Chief Executive Officer	Reid Morden
Head Office	Minto Place 18th Floor 344 Slater Street Ottawa, Ontario, K1A 0S4 (613) 237-3270 Facsimile: (613) 782-2061
Incorporation and Status	February 14, 1952 under Part I of *Canada Corporations Act*; continued July 8, 1977 under the certificate amended July 15, 1982 *Canada Business Corporations Act*; Schedule III, Part I of the *Financial Administration Act*; An agent of Her Majesty.
Appropriate Minister	The Honourable Anne McLellan, P.C., M.P., Minister of Natural Resources
Auditor	Auditor General of Canada

Financial Summary ($ million) Financial year ending March 31.

	1994-95	1993-94	1992-93	1991-92	1990-91
Financial Position					
Total Assets	878.2	848.4	1,321.8	1,286.8	1,488.3
Loans from Private Sector	8.6	11.0	13.3	15.4	17.2
Loans from Canada	14.4	15.7	446.1	477.2	512.2
Shareholder's Equity	474.1	466.9	605.7	599.6	751.1
Operations					
Revenues	635.7	632.2	645.2	560.5	484.2
Net Income	7.2	(138.7)	10.1	2.0	7.8
Cash Flow	5.2	(0.7)	21.6	18.2	15.6
Funding from Canada					
Budgetary (operating & capital expenditures)	180.0	173.5	180.3	176.0	167.4
Non Budgetary (loans and investments)	0.0	0.0	0.0	0.0	0.0
Payments to Canada					
Loan Repayments	1.4	430.3	31.1	35.0	32.0
Dividends	0.0	0.0	0.0	153.2	0.0
Employment	3,943	4,287	4,431	4,503	4,531

BANK OF CANADA

Mandate and Background

The Bank of Canada was created in 1934 as Canada's central bank. It is responsible for the formulation and implementation of monetary policy in Canada and acts as the government's fiscal agent. The Bank has the sole right to issue paper currency for circulation in Canada.

Corporate Profile

The Bank's primary function is to formulate and implement monetary policy. Monetary policy manages the rate of monetary expansion in a way that maintains stability in the general price levels.

The Bank is responsible for issuing bank notes in Canada. The Bank is responsible for operating deposit accounts for major financial institutions and for the government. The Bank also manages the government's foreign exchange reserves and carries out a variety of activities aimed at enhancing the efficiency and stability of the Canadian financial system. The Bank advises the government on matters relating to the public debt and is responsible for issuing debt, maintaining bondholder records and making payments on behalf of the government for debt redemption and interest. It also cashes and negotiates cheques drawn on the Receiver General.

The majority of its revenue is interest earned on the investment of securities of Canada.

Corporate Highlights

The Bank considers its contribution to the maintenance of a low level of inflation as its most significant achievement in 1994.

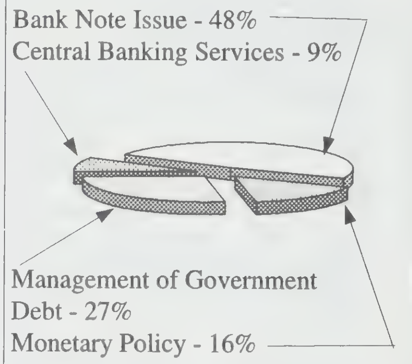
Communicating with the public was enhanced by expanding the Annual Report and by introducing a semi-annual report on monetary policy.

The Bank participated in initiatives to manage and contain systemic risks in the major clearing and settlement of payments mechanisms. In a recently released White Paper the government proposed that the Bank be responsible for such mechanisms.

The central bank governors and the finance ministers of Canada, the U.S. and Mexico created the North American Financial Group, a forum for regular consultations on economic and financial developments in the three countries.

The Bank is moving to improve service and lower costs through technology and re-engineering.

Operating Costs by Function



Source: Bank of Canada Annual Report 1994.

BANK OF CANADA

Governor	Gordon G. Thiessen
Head Office	234 Wellington Street Ottawa, Ontario, K1A 0G9 (613) 782-8111 Facsimile: (613) 782-8655
Incorporation and Status	1934, by the *Bank of Canada Act* (R.S.C. 1985, c. B-2); Acts as the fiscal agent of the Government of Canada; is exempt from the provisions of Divisions I to IV of Part X of the *Financial Administration Act.*
Appropriate Minister	The Honourable Paul Martin, P.C., M.P., Minister of Finance and Minister responsible for the Federal Office of Regional Development-Quebec
Auditor	Raymond, Chabot, Martin, Paré and KPMG Peat Marwick Thorne

Financial Summary ($ million) Financial year ending December 31.

	1994	1993	1992	1991	1990
Financial Position					
Total Assets	30,050	29,045	27,442	27,045	25,275
Liabilities:					
Deposits	1,286	1,602	1,739	2,332	2,009
Notes in Circulation	28,329	27,237	25,609	24,481	22,970
Other	405	176	64	202	266
Shareholder's Equity	30	30	30	30	30
Operations					
Revenues	1,705	1,758	2,008	2,324	2,615
Expenses	184	181	182	188	186
Net Revenue - Paid to Canada	1,496	1,552	1,806	2,119	2,409
Employment	2,066	2,083	2,128	2,193	2,301

BUSINESS DEVELOPMENT BANK OF CANADA

(Formerly the Federal Business Developent Bank)

Mandate and Background

The Business Development Bank of Canada supports Canadian entrepreneurship by providing financial and management services and by issuing securities or otherwise raising funds or capital in support of those services. In carrying out its activities the Bank focusses on the needs of small and medium-sized enterprises.

In July 1995 legislation changed the name of the Federal Business Development Bank to the Business Development Bank of Canada. As a result of enacting the new legislation, the Bank is streamlining and modernizing its operations.

Corporate Profile

The Bank provides financial assistance to Canadian firms by acting as a complementary lender and a source for equity financing. The Bank has two operating segments: Financial Services and Management Services. The latter is partially supported by parliamentary appropriations.

The Bank also administers the Cultural Industries Development Fund (CIDF) on behalf of the Department of Canadian Heritage. The Fund was developed to provide flexible financing and management counselling to businesses involved in Canadian cultural industries. The Fund is not accounted for in the financial statements of the Bank.

Corporate Highlights

With the new legislation the Bank continues as a complementary lender to the private sector. The legislation provides for: the creation of a capital structure with all shares held in trust by the designated Minister for the Crown; allows the issuance of hybrid capital instruments; and ensures that the Crown does not assume liability for the repayment of hybrid capital instruments.

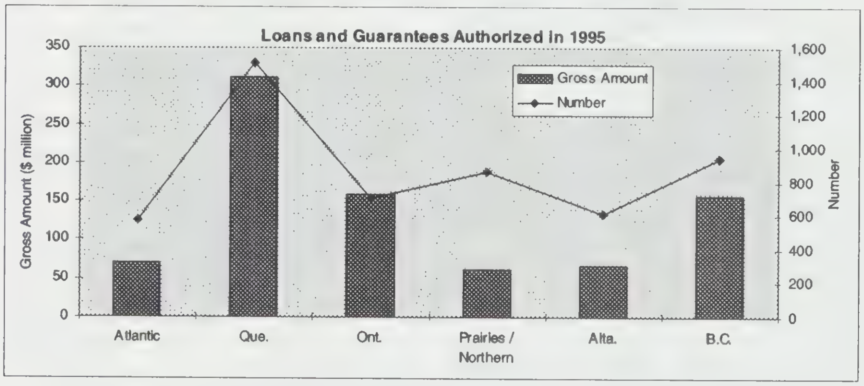
The Bank increased its lending volume by 15.7 percent to $827.4 million, which supports projects across Canada totalling $1.4 billion and helped to create 6,800 new jobs. Venture financing, which includes both equity and quasi equity financing, increased by more than 40 percent over the previous year to $30 million.

Management Services increased cost recovery to 56.1 percent, up from 54.9 percent in 1994.

The Bank began innovative new programs in 1995: the Working Capital for Growth Program which "tops up" lines of credit granted by other financial institutions, NEXPRO a management services program for exporters and a new complaint handling process.

Customer surveys indicate a 90 percent satisfaction rate.

On behalf of Canadian Heritage, the Bank provided $9.2 million in loans and counselled 175 companies in cultural industries through the Cultural Industries Development Fund.



Source: Federal Business Development Bank Annual Report 1995.

BUSINESS DEVELOPMENT BANK OF CANADA

Chairman	Patrick J. Lavelle
President and Chief Executive Officer	François Beaudoin
Head Office	800 Victoria Square P.O. Box 335 Tour de la Place Victoria Montreal, Quebec, H4Z 1L4 (514) 283-5004 Facsimile: (514) 283-2304
Incorporation and Status	1974; by the *Federal Business Development Bank Act* (R.S.C. 1985, c. F-6) and continued by the *Business Development Bank of Canada Act* (S.C. 1995 chap. 28); Schedule III, Part I of the *Financial Administration Act*; An agent of Her Majesty.
Appropriate Minister	The Honourable John Manley, P.C., M.P. Minister of Industry
Auditor	Raymond, Chabot, Martin, Paré and the Auditor General of Canada

Financial Summary ($ million) Financial year ending December 31.

	1994	1993	1992	1991	1990
Financial Position					
Total Assets	3,145.7	3,022.2	2,763.9	2,645.1	2,789.2
Loans from Private Sector	2,770.6	2,665.2	2,430.3	2,316.0	2,385.0
Loans from Canada	0.0	0.0	0.0	0.0	0.0
Shareholder's Equity	288.8	279.6	275.5	300.2	368.0
Operations					
Revenues	328.7	295.3	322.3	352.8	386.1
Net Income	9.2	4.1	(24.7)	(77.1)	2.7
Cash Flow	59.1	58.8	36.5	3.7	68.6
Funding from Canada					
Budgetary (operating & capital expenditures)	14.2	15.1	15.2	15.2	15.0
Non Budgetary (loans and investments)	0.0	0.0	0.0	9.0	0.0
Payments to Canada					
Loan Repayments	0.0	0.0	0.0	0.0	0.0
Dividends	0.0	0.0	0.0	0.0	0.0
Employment	967	954	989	1057	1096

CANADA COUNCIL

Mandate and Background

The Canada Council fosters and promotes the study, enjoyment and production of works in the arts.

Corporate Profile

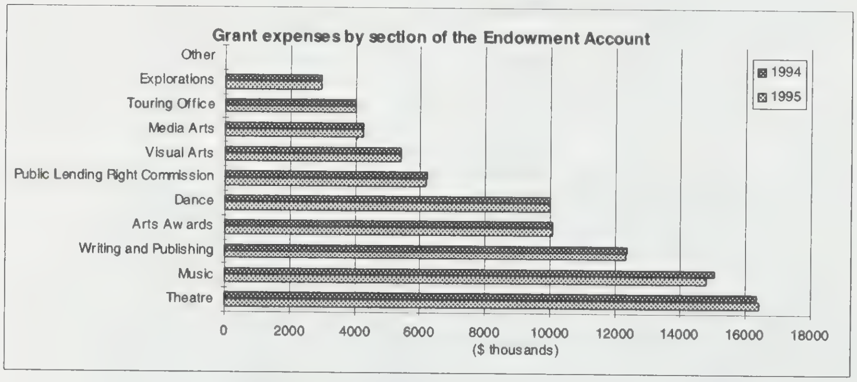
The Council provides grants to artists and art organizations directly involved in the creation, production or distribution of the arts in Canada. In addition, the Canada Council administers the Art Bank and an Endowment Fund with a principal amount of $50 million, and other funds established through private donations. The Council also co-ordinates United Nations Educational, Scientific and Cultural Organization (UNESCO) activities in Canada, and Canadian participation in various UNESCO activities abroad.

Corporate Highlights

The Council undertook a review that included consultation with the Canadian arts community in 17 cities. The result was a plan called *A design for the future* released in March 1995. The plan identifies the Council's funding priority as grants to artists and art organizations. The plan calls for a 50 percent reduction in administration costs over three years and an orderly withdrawal from programs not in its mandate. As a result the Art Bank will be closed, an advisory committee and an Art Bank transition team will be set up to dispose of the works of art in a secure and accessible fashion. The plan also indicates that the Canada Council has implemented the government decision to reduce board membership from 21 to 11.

The Council will seek new partnerships with other arts funding organizations at the municipal, provincial and national levels and will focus on advocacy for the arts and artists.

The Council is examining ways to improve service through better communication, streamlining the grant process and providing better guidelines for juries, advisory committees and assessors. The Council is improving accessibility to programming through equity coordinators, and as a result has established a First Peoples' Committee on the Arts to examine and advise on appropriate funding models.



Source: The Canada Council 38th Annual Report.

CANADA COUNCIL

Chairman	Donna M. Scott
President and Chief Executive Officer	Roch Carrier
Head Office	12th Floor 350 Albert Street P.O. Box 1047 Ottawa, Ontario, K1P 5V8 (613) 237-3400 Facsimile: (613) 598-4390
Incorporation and Status	1957, by the *Canada Council Act* (R.S.C. 1995, c. C-2); Exempt from Divisions I to IV of Part X of the *Financial Administration Act;* Not an agent of Her Majesty. A charitable organization for the purposes of the *Income Tax Act.*
Appropriate Minister	The Honourable Michel Dupuy, P.C., M.P., Minister of Canadian Heritage
Auditor	Auditor General of Canada

Financial Summary ($ million) Financial year ending March 31.

	1994-95	1993-94	1992-93	1991-92	1990-91
Financial Position					
Assets - Endowment Account	158.8	155.9	144.9	135.5	133.7
- Special Funds	52.6	51.0	49.5	47.4	46.4
Loans from Canada	0.0	0.0	0.0	0.0	0.0
Shareholder's Equity	174.4	171.7	163.1	153.9	151.0
Operations					
Revenues	114.9	113.3	121.5	120.5	120.0
Outlays on grants, services and art	91.7	92.2	100.8	99.2	98.2
Net Income	2.1	(1.3)	(0.7)	(0.5)	1.2
Cash Flow	3.0	(1.0)	(0.2)	0.1	1.9
Funding from Canada					
Budgetary (operating & capital expenditures)	98.4	99.3	108.0	105.5	104.1
Non Budgetary (loans and investments)	0.0	0.0	0.0	0.0	0.0
Payments to Canada					
Loan Repayments	0.0	0.0	0.0	0.0	0.0
Dividends	0.0	0.0	0.0	0.0	0.0
Employment	217	230	234	234	233

CANADA DEPOSIT INSURANCE CORPORATION

Mandate and Background

The Canada Deposit Insurance Corporation (CDIC) provides limited insurance for deposits with member institutions, i.e., federal banks, trust and loan companies and approved provincial trust and loan companies.

CDIC promotes standards of sound business and financial practices for member institutions. It promotes and contributes to the stability and competitiveness of the financial system in Canada.

Corporate Profile

CDIC has two primary functions: Insurance and Risk Management, and Claims and Recoveries.

Insurance and Risk Management encompasses policy development, liaison with member organizations and regulators, risk assessment, return of insured deposits, by-laws, and member interventions.

Claims and recoveries are accomplished through assisting with interventions, asset management, claims and payout management, depositor correspondence and communication, litigation and the supervision of agents and liquidators.

CDIC's Deposit Insurance Fund is funded with annual premiums from member institutions.

Corporate Highlights

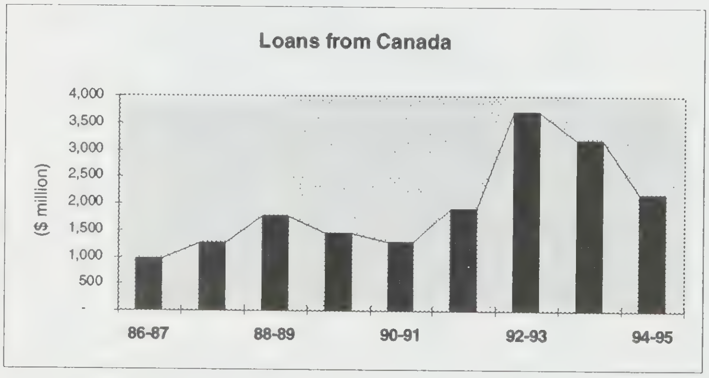
In February 1995, the Department of Finance issued a White Paper entitled *Enhancing the Safety and Soundness of the Canadian Financial System.* The paper proposes amendments to the CDIC Act. Legislation to implement proposals contained in the White Paper, including the introduction of risk-based premiums for member institutions, allowing CDIC to borrow on capital markets, and allowing the federal government to charge a fee on CDIC's borrowings, was introduced in June 1995.

CDIC reduced loans owing to Canada by $1.5 billion over the past two years, despite having five members fail during this period. In part, this reduction was achieved through Adelaide Capital Corporation (Central Guaranty Trust) issue of $500 million of distress five-year preferred shares guaranteed by CDIC. The issue also substantially reduced the cost of financing Adelaide Capital Corporation. Also helping to reduce loans from Canada was the redeployment of resources and the adoption of an aggressive policy of liquidating assets and pursuing claims.

CDIC and the Office of the Superintendent of Financial Institutions have developed a *Guide to Intervention for Federal Financial Institutions,* designed to make the supervisory assessment and intervention process more transparent.

During 1994-95, CDIC undertook two major interventions of member organizations, Confederation Trust Company and Income Trust Company, and monitored the sale of North American Trust.

A number of external committees advised CDIC on issues such as risk assessment and intervention polices, consumer information, real estate, and cash and debt management.



Source: Annual Canada Deposit Insurance Corporation Report

CANADA DEPOSIT INSURANCE CORPORATION

Chairman	Grant L. Reuber
President and Chief Executive Officer	Jean Pierre Sabourin
Head Office	50 O'Connor Street 17th Floor P.O. Box 2340, Station D Ottawa, Ontario, K1P 5W5 (613) 996-2081 Facsimile: (613) 996-6095
Incorporation and Status	1967; by the *Canada Deposit Insurance Corporation Act* (R.S.C. 1985, c. C-3, R.S., 1985, C.18, S.C., 1992, C.26); Schedule III, Part I of the *Financial Administration Act*; An agent of Her Majesty.
Appropriate Minister	The Honourable Paul Martin, P.C., M.P., Minister of Finance and Minister responsible for the Federal Office of Regional Development-Quebec
Auditor	Auditor General of Canada

Financial Summary ($ million) Financial year ending March 31.

	1994-95	1993-94	1992-93	1991-92	1990-91
Financial Position					
Total Assets	1,117.2	2,387.6	2,885.2	1,329.0	643.6
Loans from Private Sector	0.0	0.0	0.0	0.0	0.0
Loans from Canada	2,174.4	3,177.1	3,715.2	1,903.9	1,282.7
Balance (Deficiency) of Deposit Insurance	(1,747.1)	(1,647.7)	(1,450.7)	(590.0)	(642.6)
Operations					
Revenues	531.7	409.3	307.9	308.8	287.5
Net Income	(99.5)	3.0	(860.7)	52.6	208.2
Cash Flow	323.9	111.6	35.4	160.9	120.8
Funding from Canada					
Budgetary (operating & capital expenditures)	0.0	0.0	0.0	0.0	0.0
Non Budgetary (loans and investments)	350.0	1,230.0	2,105.0	1,375.0	0.0
Payments to Canada					
Loan Repayments	1,341.0	1,729.0	270.0	785.0	150.0
Dividends	0.0	0.0	0.0	0.0	0.0
Employment	87	90	94	92	65

CANADA DEVELOPMENT INVESTMENT CORPORATION

Mandate and Background

Canada Development Investment Corporation (CDIC) was incorporated in 1982. The purpose of the Corporation is to effectively manage Crown corporations and investments assigned to it and to privatize its holdings when appropriate.

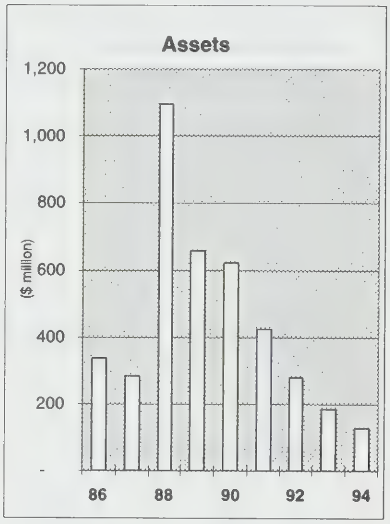
Corporate Profile

The Canada Development Investment Corporation manages its wholly-owned subsidiaries: Canada Eldor Inc., Theratronics International Limited and Canada Hibernia Holding Corporation (CHHC). CDIC holds class II preferred shares in Varity Corporation. CHHC manages the federal government's 8.5 percent interest in the Hibernia Oil and Gas Offshore Development Project.

Corporate Highlights

CDIC has developed a corporate plan which provides for the continued disposition of its remaining assets and reduction of its operating costs.

Through Canada Eldor Inc., CDIC held a 5.7 percent interest in Cameco which was sold in February 1995 for $88.6 million. The Department of Finance has assumed the remaining debt held by Canada Eldor Inc.



Source: Canada Development Investment Corporation Annual Report 1994.

CANADA DEVELOPMENT INVESTMENT CORPORATION

Chairman	Donald McQ. Shaver
Executive Vice President	Benita M. Warmbold
Head Office	Suite 2703 Scotia Plaza 40 King Street West P.O. Box 320 Toronto, Ontario, M5H 3Y2 (416) 864-0333 Facsimile: (416) 864-0289
Incorporation and Status	1982; by Canada Development Corporation under the *Canada Business Corporations Act*. Letters patent, May 26, 1982; Schedule III, Part II of the *Financial Administration Act*; An agent of Her Majesty.
Appropriate Minister	The Honourable Paul Martin, P.C., M.P., Minister of Finance and Minister responsible for the Federal Office of Regional Development-Quebec
Auditor	KPMG Peat Marwick Thorne and the Auditor General of Canada

Financial Summary ($ million) Financial year ending December 31.

	1994	1993	1992	1991	1990
Financial Position					
Total Assets	126.4	181.9	278.4	422.6	620.8
Loans from Private Sector	0.0	461.7	584.3	675.5	599.8
Loans from Canada	19.3	19.6	17.6	38.3	158.4
Shareholder's Equity	98.3	(318.2)	(357.8)	(344.2)	(188.9)
Operations					
Revenues	6.2	14.4	5.3	26.2	49.8
Net Income	(21.8)	(32.7)	(67.2)	(147.7)	(36.1)
Cash Flow	0.2	11.5	0.9	6.3	12.0
Funding from Canada					
Budgetary (operating & capital expenditures)	0.0	0.0	0.0	0.0	0.0
Non Budgetary (loans and investments)	0.0	0.0	0.0	0.0	0.0
Payments to Canada					
Loan Repayments	0.0	0.0	0.0	0.0	0.0
Dividends	10.0	7.7	21.5	7.6	0.3
Employment	8	9	9	10	10

CANADA LANDS COMPANY LIMITED

Mandate and Background

Canada Lands Company Limited (CLC) has not been involved in any financial transactions. Its mandate is to acquire, purchase, lease, hold, improve, manage, exchange, sell, or otherwise deal in or dispose of real or personal property or any interest therein.

Corporate Profile

CLC has an active wholly-owned subsidiary, Old Port of Montreal Corporation Inc., which has been directed to report as a parent Crown corporation; two inactive wholly-owned subsidiaries: Canada Lands Company (Vieux-Port de Québec) Inc., and the Canada Museums Construction Corporation Inc.; and leases for two properties in London, England, and two properties on Indian reserves in Canada. Canada Lands Company (Vieux-Port de Québec) Inc. ceased operations on March 31, 1988. A decision has yet to be taken with respect to its formal dissolution pending the resolution of certain legal matters.

It is anticipated that the Canada Museums Construction Corporation Inc. could be dissolved within the year.

In June 1994, the Governor in Council directed that Queens Quay West Land Corporation be dissolved and that its assets and liabilities be transferred to the Canada Lands Company. The dissolution date has been extended to January 31, 1996 (extended from June 30, 1995).

Corporate Highlights

Pursuant to the 1995 Budget, the government is revitalizing Canada Lands Company to facilitate and enhance the orderly disposal of the expected surplus federal properties arising from both restructuring and Program Review. In addition, as part of the commercialization of Canadian National Railway Company, some management personnel and selected real estate assets will be transferred to CLC to maximize their value by disposing of them in an orderly fashion in the future.

Corporate abstracts for the Old Port of Montreal Corporation Inc. and Queens Quay West Land Corporation can be found further in this section.

CANADA LANDS COMPANY LIMITED

Chairman	Jon K. Grant		
President and Chief Executive Officer	Erhard Buchholz		
Head Office	c/o Room 17A1 Place du Portage, Phase III 11 Laurier Street Hull Quebec, K1A 0S	**Operations**	Suite 1509 200 King Street West Toronto, Ontario M5H 3T4 (416) 581-8701 Facsimile: (416) 974-9275
Incorporation and Status	1956; by letters patent; reorganized under the *Canada Business Corporations Act*, September 19, 1977. Certificate of Continuance under the *Canada Business Corporations Act* July 7, 1981; Schedule III, Part I of the *Financial Administration Act*; Not an agent of Her Majesty.		
Appropriate Minister	The Honourable David Dingwall, P.C., M.P., Minister of Public Works and Government Services and Minister for the Atlantic Canada Opportunities Agency		
Auditor	Auditor General of Canada		

Financial Summary ($ million) Financial year ending March 31.

	1994-95	1993-94	1992-93	1991-92	1990-91
Financial Position					
Total Assets	0.0	0.0	0.0	0.0	0.0
Loans from Private Sector	0.0	0.0	0.0	0.0	0.0
Loans from Canada	0.0	0.0	0.0	0.0	0.0
Shareholder's Equity	0.0	0.0	0.0	0.0	0.0
Operations					
Revenues	0.0	0.0	0.0	0.0	0.0
Net Income	0.0	0.0	0.0	0.0	0.0
Cash Flow	0.0	0.0	0.0	0.0	0.0
Funding from Canada					
Budgetary (operating & capital expenditures)	0.0	0.0	0.0	0.0	0.0
Non Budgetary (loans and investments)	0.0	0.0	0.0	0.0	0.0
Payments to Canada					
Loan Repayments	0.0	0.0	0.0	0.0	0.0
Dividends	0.0	0.0	0.0	0.0	0.0
Employment	0	0	0	0	0

CANADA MORTGAGE AND HOUSING CORPORATION

Mandate and Background

Canada Mortgage and Housing Corporation (CMHC) promotes the construction of new houses, the repair and modernization of existing houses and the improvement of housing and living conditions.

Corporate Profile

CMHC accomplishes its mandate through activities in three business components:

Within the **Corporate Account**, the Corporation manages a portfolio of loans and investments under various provisions of the *National Housing Act*, develops and sells land holdings, and provides housing-related services. Funding is provided by borrowings from the private sector and in the past, from the Government of Canada.

The **Minister's Account** administers subsidized housing programs under provisions of the *National Housing Act*. CMHC is reimbursed for contributions and related operating expenses through parliamentary appropriations of almost $1.9 billion per year. About 90 percent of the contributions are committed for some 35 years to subsidize social housing programs.

The **Administered Funds** includes insurance and guarantee funds administered by CMHC under provisions of the *National Housing Act*. The Mortgage Insurance Fund provides insurance against borrower default on residential mortgage loans. The Mortgage-backed Securities Guarantee Fund guarantees timely payment of the principal and interest for investors of securities based on insured mortgages.

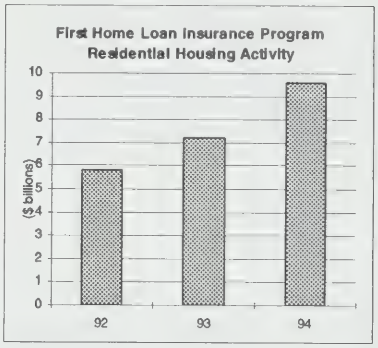
Corporate Highlights

The Corporation incurred its first loss for the Corporate Account of $6.3 million due to provincial and municipal borrowers exercising their prepayment option and refinancing their loans at lower interest rates.

CMHC achieved record levels of new insurance business primarily due to the First Home Loan Insurance program. The program helped 101,020 households or one-third of the 306,000 mortgages issued buy their first home in 1994. With Canada's slow economic recovery, the peak in claims continued in 1994 and the Insurance and Guarantee Funds incurred a loss of $49 million.

CMHC is reassessing its role in Canada's housing sector. The April 1993 federal Budget eliminated all funding for new long-term social housing commitments except for on-reserve housing and special initiatives related to family violence and housing for seniors. In an effort to reduce costs and improve the efficiency of the social housing administration, CMHC continued to work with provincial and territorial partners.

Short-term social housing commitments will continue as CMHC announced that it will spend $100 million for a two-year reinstatement of the Residential Rehabilitation Assistance Program and the Emergency Repair Program.



Source: Canada Mortgage and Housing Corporation 1994 Annual Report

In addition, $16 million will be available to upgrade the rental and rooming house stock occupied by low-income households.

CMHC also introduced a $17 million Remote Housing Program in 1994, which responds to critical housing needs in northern, remote communities of less than 2,500 residents and will produce 165 new houses.

The Corporation's first full year in international capital markets was marked by raising $2 billion in medium-term financing on international and domestic bonds.

Ninety-five percent of social housing sponsors renewing their mortgages in 1994 took advantage of Direct Lending, through which mortgage costs are reduced by having CMHC act as a break-even lender in replacing private sector financial institutions.

Human Resources Development Canada gave CMHC their 1994 Annual Merit award in recognition of the Corporation's continuing commitment to human resources management, policies and practices.

CANADA MORTGAGE AND HOUSING CORPORATION

Chairman	Peter R. Smith
President and CEO	Marc W. Rochon
Head Office	700 Montreal Road Ottawa, Ontario, K1A 0P7 (613) 748-2000, Facsimile: (613) 748-2067
Incorporation and Status	1946; by the *Central Mortgage and Housing Corporation Act*; (R.S.C. 1985, c. C-7). Amended March 16, 1979 to *Canada Mortgage and Housing Corporation Act*; Schedule III, Part I of the *Financial Administration Act*; An agent of Her Majesty except when s. 14 of its Act applies.
Appropriate Minister	The Honourable David Dingwall, P.C., M.P., Minister of Public Works and Government Services
Auditor	Deloitte & Touche, Auditor General of Canada

Financial Summary ($ million) Financial year ending December 31.

	1994	1993	1992	1991	1990
Financial Position					
Total Assets	11,769	10,014	8,943	8,855	9,057
Loans from Private Sector	3,445	1,345	37	38	39
Loans from Canada	7,972	8,306	8,496	8,633	8,734
Shareholder's Equity	44	50	50	43	50
Operations					
Revenues	878	800	786	781	818
Net Income	(6)	6	12	17	11
Cash Flow	(2)	10	14	(94)	(47)
Funding from Canada					
Budgetary (operating & capital expenditures)	0	0	0	0	0
Non Budgetary (loans and investments)	0	263	307	284	284
Payments to Canada					
Loan Repayments	334	454	440	360	399
Dividends	0	6	5	18	11
MINISTER'S ACCOUNT					
Operations					
Expenditures	1,868	1,935	1,950	1,962	1,886
Budgetary Appropriations	1,879	1,900	1,907	1,981	1,971
Due from the Minister,	252	264	228	16	35
ADMINISTERED FUNDS					
Financial Position					
Total Assets	2,093	1,844	1,599	1,377	1,136
Shareholder's Equity	(49)	38	89	174	186
Operations					
Revenues	432	437	366	302	288
Net Income	(87)	(57)	(12)	(12)	121
Cash Flow	213	262	189	238	191
Employment	3,032	2,975	2,955	2,931	3,002

CANADA PORTS CORPORATION

Mandate and Background

The Canada Ports Corporation, established in 1983, plans and co-ordinates the development of 15 ports, to achieve the objectives of the national ports policy in support of Canadian international trade.

Corporate Profile

The Canada Ports Corporation coordinates the national port activities of seven autonomous local port corporations which are reported separately in this Report, and directly manages the administration of seven divisional ports: Belledune, Churchill, Port Colborne, Prescott, Port Saguenay/Baie des Ha!Ha!, Sept-Îles and Trois-Rivières. Ridley Terminals Inc. is a wholly-owned subsidiary of the Canada Ports Corporation. These 15 ports, known as the Ports Canada system, handle nearly 50 percent of Canadian port traffic.

Corporate Highlights

Total port traffic handled by Canada Ports Corporation, evaluated in tonnes of cargo handled, increased seven percent to 30.9 million tonnes in 1994. All of the divisional ports grew with the exception of the Port of Colborne. The ports of Belledune, Prescott and Ridley Terminals had substantial increases.

Two ports wrote down the net value of their fixed assets. Saguenay decreased the value of the Albert Maltais Wharf by $1.9 million and Churchill wrote down its non-revenue generating assets by $5.7 million to a nominal value of $1.

Net income at $5.3 million was down by $5.2 million when compared to 1993. The decline is attributable to the write down of assets by $7.6 million. Ridley Terminals, and the ports of Prescott and Belledune were the major contributors to the net income with $8.4 million, $1.4 million and $1.1 million respectively, while the ports of Saguenay and Churchill showed a loss of $1.7 million and $6 million respectively.

At the Port of Belledune there was a substantial increase in net income caused by a quick rise in coal traffic following the first full year of operation of a second wharf.

The Minister of Transport is considering a fundamental overhaul of the marine sector which encompasses the ports, pilotage, the St. Lawrence Seaway, ferry operations and the Coast Guard. Apart from the Coast Guard, the marine sector is dominated by Crown corporations: the 15 Ports Canada ports, comprising 50 percent of Canadian port activity; the four pilotage authorities; the St. Lawrence Seaway Authority and Marine Atlantic Inc. The Minister's objective is to rationalize operations, commercialize activities, reduce subsidies and restructure the corporate form.

If a new marine policy is put in place, it will have a significant effect on Canada Ports Corporation.

Don Morrison was appointed Acting President and Chief Executive Officer on September 5, 1995.

CANADA PORTS SYSTEM

Divisional Ports:
Port of Belledune
Port of Churchill
Port Colborne
Port of Prescott
Port Saguenay/Baie des Ha!Ha!
Port of Sept-Iles
Port of Trois Rivières

Subsidiary
Ridley Terminals Inc.

Local Port Corporations:
Halifax Port Corporation
Montreal Port Corporation
Prince Rupert Port Corporation
Port of Quebec Corporation
Saint John Port Corporation
St. John's Port Corporation
Vancouver Port Corporation

CANADA PORTS CORPORATION

Acting Chairman	James B. Powers
Acting President and Chief Executive Officer	Don Morrison
Head Office	8th Floor 99 Metcalfe Street Ottawa, Ontario, K1A 0N6 (613) 957-6787 Facsimile: (613) 996-9629
Incorporation and Status	1983; pursuant to the *National Harbours Board Act* (R.S.C. 1970, N-8, s.3); reconstituted by the *Canada Ports Corporation Act* (R.S.C. 1985, c. C-9); Schedule III, Part II of the *Financial Administration Act*; An agent of Her Majesty.
Appropriate Minister	The Honourable Douglas Young, P.C., M.P., Minister of Transport
Auditor	Arthur Andersen & Co.

Financial Summary ($ million) Financial year ending December 31.

	1994	1993	1992	1991	1990
Financial Position					
Total Assets	249.6	247.0	217.9	185.2	124.2
Loans from Private Sector	185.5	196.0	191.5	208.8	0.0
Loans from Canada	0.5	0.5	0.6	1.2	1.3
Shareholder's Equity	(9.0)	(16.1)	(51.8)	(86.9)	97.3
Operations					
Revenues	64.3	58.0	56.3	30.8	16.2
Net Income	5.3	10.5	11.8	(255.9)	2.4
Cash Flow	18.3	15.7	19.4	4.2	5.6
Funding from Canada					
Budgetary (operating & capital expenditures)	0.0	0.0	12.8	90.9	9.8
Non Budgetary (loans and investments)	0.0	0.0	20.0	10.0	0.0
Payments to Canada					
Loan Repayments	0.1	0.1	0.6	0.1	0.1
Dividends	0.2	0.1	0.0	0.2	20.7
Employment	280	281	218	183	154

CANADA POST CORPORATION

Mandate and Background

Canada Post is mandated to operate Canada's postal service on a self-sustaining financial basis with a standard of service that meets the needs of Canadians.

The *Canada Post Corporation Act* requires the Corporation to fulfil its mandate while considering improvements and extending its products and services, and to conduct its operations on a self-sustaining financial basis. The Corporation does not receive operating subsidies from Canada.

Corporate Profile

Canada Post delivers mail to 12 million Canadian addresses and provides postal services through a postal network of approximately 18,500 retail points of purchase and some 844,000 locations where customers can deposit their mail. Messages and parcels are processed through a network of 23 major mail processing plants. The Corporation is one of the largest users of air, surface and marine transportation in Canada.

Canada supports the publishing industry, northern parcel mail, parliamentary free mail, and blind persons' free mail by making payments to the Corporation.

The Corporation has a 75 percent interest in PCL Courier Holdings Inc., which owns all the shares of Purolator Courier.

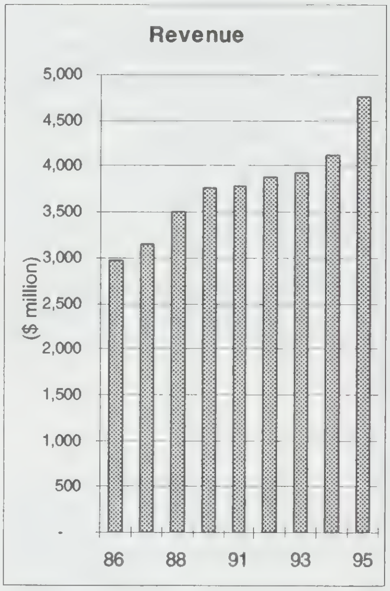
Corporate Highlights

Canada Post processed 11.6 billion pieces of mail in 1994-95, an increase of nearly 700 million pieces over the previous year. Consolidated revenue from operations increased by 15.3 percent, due in part to the inclusion of a full year of Purolator Courier's revenue.

Canada Post incurred a net loss of $69 million in 1994-95 as compared to $270 million the previous year, an improvement of $201 million. The lower than planned net income is attributed to business expansion, previously negotiated wage rate increases and a delay of anticipated rate increases for regulated postal services.

Canada Post continued a major reorganization which began in 1993-94. The overlap of responsibility between head office and operations will be reduced and employees will be given more control to make service decisions.

A mandate review of Canada Post and postal issues in general was announced by the Minister responsible for Canada Post in November 1995. The review is being led by an independent chair who will be supported by an advisory committee consisting of representatives from the Department of Finance/Treasury Board Secretariat, the Privy Council Office, Public Works and Government Services Canada, and Industry Canada.



Canada Post's revenues increased substantially.

Source: Canada Post Corporation 1994-95 Annual Report.

CANADA POST CORPORATION

Chairman	Peter A.G. Cameron
President and Chief Executive Officer	Georges C. Clermont
Head Office	Canada Post Place 2701 Riverside Drive Ottawa, Ontario, K1A 0B1 (613) 734-8440 Facsimile: (613) 734-6022
Incorporation and Status	1981; by the *Canada Post Corporation Act* (R.S.C. 1985, c. C-10); Schedule III, Part II of the *Financial Administration Act*; An agent of Her Majesty.
Appropriate Minister	The Honourable David Dingwall, P.C., M.P., Minister of Public Works and Government Services and Minister for the Atlantic Canada Opportunities Agency
Auditor	Ernst & Young

Financial Summary ($ million) Financial year ending March 31.

	1994-95	1993-94	1992-93	1991-92	1990-91
Financial Position					
Total Assets	2,564.6	2,612.8	2,494.1	2,461.9	2,662.0
Loans from Private Sector	199.0	199.0	55.0	55.0	55.0
Loans from Canada	80.0	80.0	80.0	80.0	80.0
Shareholder's Equity	998.0	1,066.9	1,337.3	1,311.7	1,444.9
Operations					
Revenues	4,748.0	4,115.6	3,920.7	3,872.8	3,785.2
Net Income	(68.9)	(270.4)	25.6	(127.5)	14.3
Cash Flow	169.9	185.8	230.9	27.5	200.7
Funding from Canada					
Budgetary (operating & capital expenditures)	14.0	14.0	14.0	115.3	148.5
Non Budgetary (loans and investments)	0.0	0.0	0.0	0.0	0.0
Payments to Canada					
Loan Repayments	0.0	0.0	0.0	0.0	0.0
Dividends	0.0	0.0	0.0	5.7	59.5
Employment	43,871	43,699	44,683	46,666	49,046

CANADIAN BROADCASTING CORPORATION

Mandate and Background

The Canadian Broadcasting Corporation (CBC) is Canada's national public broadcasting service and produces, procures and distributes primarily Canadian programming in English, French as well as a number of other languages.

Its mission is to inform, entertain and enlighten; to contribute to the development of shared national consciousness and identity; to reflect the regional and cultural diversity of Canada; and to contribute to the development of Canadian talent and culture.

Corporate Profile

The Corporation operates English and French-language television and radio networks and regional radio and television services. It also offers specialized services such as Newsworld, a 24-hour English-language information channel, Le Réseau de l'information, its French-language counterpart, and Radio Canada International which broadcasts programs in eight languages.

CBC programs are distributed through Telesat's Anik series of satellites. The satellites are used in combination with 100,000 km of microwave and landline feeding 88 CBC owned stations, 1,159 CBC owned rebroadcasters, and 35 private affiliated community-owned stations and 290 affiliated or community-owned rebroadcasters.

Corporate Highlights

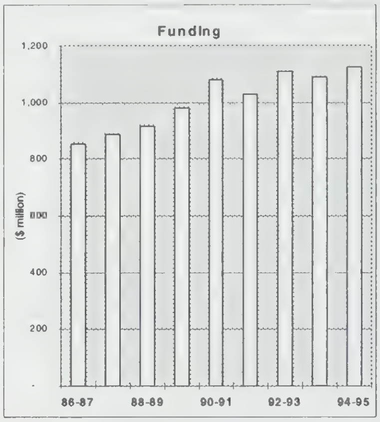
In 1995 the Hon. Perrin Beatty was appointed President and CEO and Guylaine Saucier was appointed chairwoman of the board of CBC.

In June 1995, the Standing Committee on Canadian Heritage released its review entitled *The Future of the CBC in a Multi-channel Universe*. The report has been passed to the members of a Mandate Review Committee, headed by Pierre Juneau, who will advise the government on options for change in the priorities for the CBC, the National Film Board and Canadian Film Development Corporation. The Mandate Review will also identify the resourcing base of these three agencies. Results of the Mandate Review are expected to be submitted to the government in late 1995.

To address its funding shortfall in 1995-96, the Corporation will cut approximately 1,000 positions next year.

To address the Corporation's funding shortfall in 1996-97 and 1997-98, CBC's management and Board of Directors are conducting an internal review with the help of a management consulting firm.

On January 1, 1995, CBC launched Le Réseau de l'information, the first French-language all-news network in North America. Also launched over the past year were Canada's first international direct to home satellite channels in the U.S., TRIO and Newsworld International, which are targeted at both displaying Canadian programs to Americans and creating a market for Canadian production.



Source: CBC Annual Report 1994-1995.

Local broadcast news was restored to Windsor in October 1994 in an innovative experiment that uses new technologies and a new union-management relationship that permits employees to use multiple skills and therefore reduces the number of people required to produce the news.

The CBC achieved its goal of a CBC English-language television station in every province when CBAT-TV signed on in Fredricton, New Brunswick on August 30, 1994. This was made possible through a unique arrangement between CBC and the Canwest Global Communications Corp. group.

CANADIAN BROADCASTING CORPORATION

Chairwoman	Guylaine Saucier
President	Hon. Perrin Beatty
Head Office	1500 Bronson Avenue P.O. Box 8478 Ottawa, Ontario, K1G 3J5 (613) 724-1200 Facsimile: (613) 738-6925
Incorporation and Status	1991, by the *Broadcasting Act* (R.S.C. 1985, c. B-9); Exempt from Divisions I to IV of Part X of the *Financial Administration Act*; An agent of Her Majesty.
Appropriate Minister	The Honourable Michel Dupuy, P.C., M.P., Minister of Canadian Heritage
Auditor	Auditor General of Canada

Financial Summary ($ million) Financial year ending March 31.

	1994-95	1993-94	1992-93	1991-92	1990-91
Financial Position					
Total Assets	1,613.0	1,582.0	1,582.8	1,072.8	1,020.0
Loans from Private Sector	433.6	435.3	436.1	0.8	1.0
Loans from Canada	0.0	33.0	33.0	33.0	33.0
Shareholder's Equity	738.6	756.8	774.3	700.1	651.0
Operations					
Revenues	1,362.6	1,329.1	1,330.9	1,278.7	1,349.0
Net Income	(193.7)	(152.4)	(76.4)	(81.9)	(42.0)
Cash Flow	(32.1)	13.7	26.6	10.8	27.8
Funding from Canada					
Budgetary (operating & capital expenditures)	1,126.9	1,089.5	1,109.7	1,031.0	1,078.0
Non Budgetary (loans and investments)	0.0	0.0	0.0	0.0	0.0
Payments to Canada					
Loan Repayments	33.0	0.0	0.0	0.0	0.0
Dividends	0.0	0.0	0.0	0.0	0.0
Employment	9,015	9,117	9,337	9,551	10,713

CANADIAN COMMERCIAL CORPORATION

Mandate and Background

The Canadian Commercial Corporation (CCC) assists in the development of trade between Canada and other nations by facilitating sales to foreign governments and international agencies on behalf of Canadian suppliers. In all transactions, CCC assumes the role of prime contractor, undertaking to deliver a product or service to the foreign customer with a "back-to-back" obligation from a Canadian supplier.

Corporate Profile

CCC achieves its mandate by offering a wide range of export support services to Canadian exporters, providing them with special access to foreign markets and enhancing their credibility by guaranteeing contract performance. A significant number of sales are generated as a result of specific obligations outlined in the Defence Production Sharing Agreement and the Defence Development Sharing Agreement with the United States government.

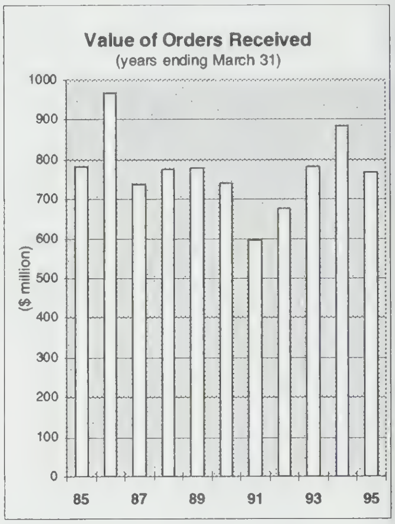
Corporate Highlights

In 1994-95, the Corporation received $766 million worth of orders from 37 countries and 20 international organizations. CCC's Minister has challenged the Corporation to double its business volume and the number of Canadian suppliers it serves over the next two years.

CCC is reviewing and refining the services it provides to meet the Government of Canada's trade policy agenda. As a result, services are changing to more effectively help Canadian businesses, particularly small and medium-sized businesses.

In 1995, CCC launched a Progress Payment Plan to allow small and medium-sized businesses greater access to pre-shipment financing from the private sector by matching CCC expertise in contract management and monitoring with the commercial capabilities of Canadian financial institutions.

In the last fiscal year the number of Canadian firms using CCC's services increased, as did the number of buyers around the world. While the number of contracts and amendments handled within CCC grew by 36 percent to 3,374, the value of these orders received declined to prior year levels.



Source: Canadian Commercial Corporation Annual Report 1994-95.

CANADIAN COMMERCIAL CORPORATION

Chairman and President	Ranald A. Quail
Head Office	Metropolitan Centre 11th Floor 50 O'Connor Street Ottawa, Ontario, K1A 0S6 (613) 996-0034 Facsimile: (613) 992-2121
Incorporation and Status	1946; by the *Canadian Commercial Corporation Act* (R.S.C. 1985, c. C-14); Schedule III, Part I of the *Financial Administration Act*; An agent of Her Majesty.
Appropriate Minister	The Honourable David Dingwall, P.C., M.P., Minister of Public Works and Government Services and Minister for the Atlantic Canada Opportunities Agency.
Auditor	Auditor General of Canada

Financial Summary ($ million) Financial year ending March 31.

	1994-95	1993-94	1992-93	1991-92	1990-91
Financial Position					
Total Assets	384.3	390.6	473.2	532.1	986.2
Loans from Private Sector	0.0	0.0	0.0	0.0	0.0
Loans from Canada	0.0	0.0	0.0	0.0	0.0
Shareholder's Equity	18.3	17.0	15.8	46.2	45.3
Operations					
Revenues	879.2	882.1	610.8	761.6	704.5
Net Income	1.3	1.2	(0.4)	2.7	6.7
Cash Flow	1.3	1.2	(0.4)	2.7	6.7
Funding from Canada					
Budgetary (operating & capital expenditures)	13.2	13.8	13.5	14.1	14.9
Non Budgetary (loans and investments)	0.0	0.0	0.0	0.0	0.0
Payments to Canada					
Loan Repayments	0.0	0.0	0.0	0.0	0.0
Dividends	0.0	0.0	30.0	1.8	1.4
Employment	81	81	81	97	95

CANADIAN DAIRY COMMISSION

Mandate and Background

Established in 1966 by the *Canadian Dairy Commission Act*, the Canadian Dairy Commission provides producers of milk and cream with an opportunity to obtain a fair return for their labour and investment, and provides consumers of dairy products with a continuous and adequate supply of high quality dairy products.

The Canadian Dairy Commission operates on a "dairy year" basis which runs from August 1 to July 31 each year. Therefore, the following information provides an overview of Commission activities for the period from August 31, 1993 to July 31, 1994.

Corporate Profile

The Commission advises the Minister of Agriculture and Agri-Food on matters relating to dairy policy; determines domestic requirements for industrial milk and cream for the purpose of establishing Market Sharing Quota; establishes the target price for industrial milk and sets support prices for butter and skim milk powder and offers to purchase products at these prices.

It also administers the government's monthly payment to producers on eligible milk and cream shipments; calculates the levy amount to be collected from producers by the provinces to cover costs associated with the marketing of dairy products by the Commission; exports dairy products not needed for domestic consumption and provides export assistance; and administers other marketing and promotion programs.

Corporate Highlights

The dairy industry faced several issues during the 1993-94 dairy year, primarily an increase in domestic demand of dairy products coupled with a reduction in production; and changes to the GATT trading rules which replaced import quotas with tariff rate quotas and reduced export subsidies. The Commission addressed these changes through two committees: the Canadian Milk Supply Management Committee (CMSMC) and a new group formed under the auspices of the CMSMC, the Dairy Industry Strategic Planning Committee (DISPC).

In 1993-94, domestic milk requirements increased by almost 4 percent. To address increased demand, quotas were increased twice for a total of 4.5 percent. Despite these increases, 750 tonnes of butter had to be imported to meet Canadian market requirements in December 1994.

The DISPC reviewed and assessed Canadian dairy policy with a view to maintaining the viability of the industry while meeting Canada's international trade commitments, and it developed an industry strategic plan to address these issues. The CMSMC continued its supervisory role in this process as well as maintaining its regular ongoing functions which included evaluation of market and consumption and production trends.

Direct Support Payments to Producers of Industrial Milk and Cream ($ million)

	1991-1992	1992-1993	1993-1994
PEI	$4.9	$4.9	$4.6
NS	$3.1	$3.1	$2.9
NB	$3.1	$3.0	$2.9
Que.	$112.1	$113.1	$106.2
Ont.	$73.8	$73.3	$68.6
Man	$9.2	$9.1	$8.4
Sask.	$6.1	$5.9	$5.6
Alta.	$15.7	$15.7	$14.6
BC	$10.1	$10.6	$9.9
Total	**$238.2**	**$238.7**	**$222.9**

Source: Canadian Dairy Commission Annual Report 1993-94.

In August 1993, the rate of direct support payment was reduced by 10 percent from the 1992-93 level to $1.5 per kilogram. Direct support payments to milk producers totalled $222.9 million in 1993-94 for 147,816 million kilograms of butterfat produced for domestic consumption.

The Commission's operating budget, financed by the government, will be reduced by 13 percent from 1993-94 to 1995-96.

CANADIAN DAIRY COMMISSION

Chairman and Chief Executive Officer	Gilles Prégent
Head Office	Carling Executive Park 1525 Carling Avenue Suite 300 Ottawa, Ontario, K1A 0Z2 (613) 998-9490 Facsimile: (613) 998-4492
Incorporation and Status	1966; by the *Canadian Dairy Commission Act* (R.S.C. 1985,c. C-15); Schedule III, Part I of the *Financial Administration Act*; An agent of Her Majesty.
Appropriate Minister	The Honourable Ralph Goodale, P.C., M.P., Minister of Agriculture and Agri-Food
Auditor	Auditor General of Canada

Financial Summary ($ million) Financial year ending July 31.

	1993-94	1992-93	1991-92	1990-91	1989-90
Financial Position					
Total Assets	176.4	171.0	248.9	233.6	232.4
Loans from Private Sector	57.2	75.2	30.8	28.1	52.1
Loans from Canada	68.1	58.4	150.8	136.6	106.3
Shareholder's Equity	0.0	0.0	0.0	0.0	0.0
Operations					
Revenues	186.0	163.9	242.7	193.6	243.0
Net Income	13.5	29.1	13.8	(6.5)	9.2
Cash Flow	n.a	n.a	n.a	n.a	n.a
Funding from Canada					
Budgetary (operating & capital expenditures)	226.1	242.6	241.9	258.6	270.0
Non Budgetary (loans and investments)	226.2	167.3	266.7	234.9	252.6
Payments to Canada					
Loan Repayments	216.5	259.7	252.6	204.5	260.6
Dividends	0.0	0.0	0.0	0.0	0.0
Employment	57	58	62	67	71

CANADIAN FILM DEVELOPMENT CORPORATION

Mandate and Background

The Canadian Film Development Corporation (Telefilm Canada) fosters and promotes an independent film and television production industry in Canada.

Corporate Profile

Telefilm Canada supports the domestic film and television production industry by providing financial assistance for the development, production and distribution of Canadian motion pictures and television programs, and through other forms of industry assistance.

Corporate Highlights

Telefilm Canada made commitments representing investments of $142.5 million and disbursed $149.2 million, thereby providing support to a record number of 420 development and production projects.

The Canadian Broadcast Program Development Fund committed 32 percent of production and development financing to projects from centres other than Toronto and Montreal, representing 74 projects principally from the Western and Atlantic regions. Thirty-six percent of its commitments were for French-language productions and 64 percent were English-language productions.

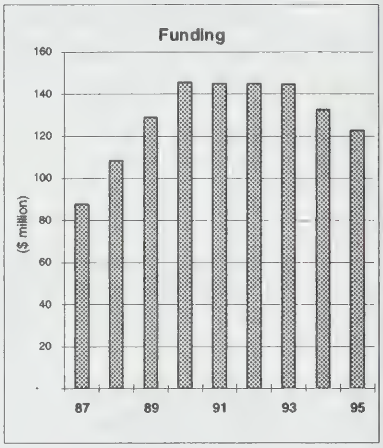
The Feature Film Fund provided 22 percent of its allocation to 47 projects in the western provinces and the Atlantic region. Forty-eight percent of its investments went to French-language projects and 52 percent to projects in English.

The Loan Guarantee Program will be launched shortly with the recent approval of the Terms and Conditions. The program will guarantee loans to Canadian companies for the production or distribution of films.

Telefilm reduced administrative expenses by 7.3 percent by reducing gross employee salaries by 1.5 percent, implementing a voluntary work reduction program, eliminating some positions, moving the Paris office to the Canadian Cultural Centre, and renegotiating some Canadian leases.

Consultations were held with representatives from the production and distribution industry, broadcasters, and with federal and provincial government agencies to identify ways of streamlining internal management, improving the quality of services, and increasing revenues.

A mandate review, announced in the February 1995 Budget is under way. The review will advise



Source: Telefilm Canada Annual Report 1994-95.

on options for changes in priorities and possible changes to Telefilm's mandate.

François Macerola was appointed Executive Director of Telefilm Canada in March 1995.

CANADIAN FILM DEVELOPMENT CORPORATION

Chairman	Robert Dinan
Executive Director	François N. Macerola
Head Office	Tour de la Banque Nationale 14th Floor 600 de La Gauchetière, West Montreal, Quebec, H3B 4L2 (514) 283-6363 Facsimile: (514) 283-8212
Incorporation and Status	1967; by the *Canadian Film Development Corporation Act* (R.S.C. 1985, c. C-16); Exempt from Divisions I to IV of Part X of the *Financial Administration Act*; An agent of Her Majesty.
Appropriate Minister	The Honourable Michel Dupuy, P.C., M.P., Minister of Canadian Heritage
Auditor	Auditor General of Canada

Financial Summary ($ million) Financial year ending March 31.

	1994-95	1993-94	1992-93	1991-92	1990-91
Financial Position					
Total Assets	49.0	39.2	33.0	31.5	20.8
Loans from Private Sector	0.0	0.0	0.0	0.0	0.0
Loans from Canada	0.0	0.0	0.0	0.0	0.0
Shareholder's Equity	38.8	28.4	22.7	19.3	15.1
Operations					
Revenues	0.6	0.9	0.9	0.9	0.9
Net Income	(112.0)	(118.3)	(133.6)	(140.8)	(144.9)
Cash Flow	(110.9)	(116.3)	(131.9)	(139.8)	(141.8)
Funding from Canada					
Budgetary (operating & capital expenditures)	122.3	132.4	144.5	145.1	145.1
Non Budgetary (loans and investments)	0.0	0.0	0.0	0.0	0.0
Payments to Canada					
Loan Repayments	0.0	0.0	0.0	0.0	0.0
Dividends	0.0	8.5	7.5	0.0	0.0
Employment	166	178	182	187	189

CANADIAN MUSEUM OF CIVILIZATION

Mandate and Background

Under the *Museums Act*, the Canadian Museum of Civilization (CMC) has a mandate to increase interest in, knowledge of, and appreciation and respect for human cultural achievements and behaviour throughout Canada and internationally by establishing, for research and posterity, a collection of objects of historical or cultural interest with special, but not exclusive, reference to Canada.

Corporate Profile

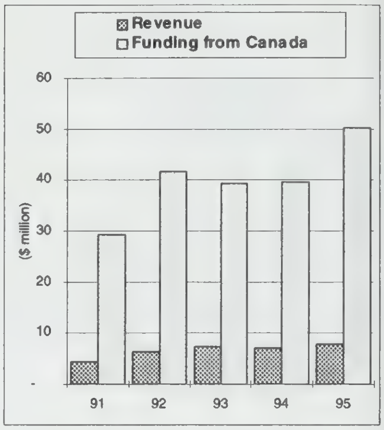
The CMC manages and operates the Canadian Museum of Civilization and its affiliate, the Canadian War Museum, which is dedicated to Canada's military history and continuing commitment to peacekeeping.

Corporate Highlights

The CMC defined five major objectives in 1994-95: to further develop outreach capabilities; to review the artifact collection and research policies; to increase Canadians' sense of their common identity and history; to promote greater intercultural understanding and dialogue; and to continue to assure the financial and operational viability of the Corporation. Many initiatives were undertaken and completed to achieve these objectives including the expansion of the Children's Museum, planning for the completion of Canada Hall, development of the First Peoples Hall, and various electronic outreach services.

CMC reduced its 1995-96 salary budget by 12 percent and its operating budget excluding custody transfer, by 16 percent. The responsibility for its accommodations was transferred from the Department of Public Works and Government Services to CMC. Revenue increased 5 percent due, in part in, to increasing attendance. The Corporation continues to fundraise and search for sponsors.

The Canadian War Museum expanded permanent exhibitions and is preparing for more new galleries, due to the fundraising efforts for the Canadian War Museum.



Source: Canadian Museum of Civilization 1994-95 Annual Report.

CANADIAN MUSEUM OF CIVILIZATION

Chairperson	Adrienne Clarkson
Executive Director	George F. MacDonald
Head Office	100 Laurier Street P.O. Box 3100, Station B Hull, Quebec, J8X 4H2 (819) 776-7116 Facsimile: (819) 776-7122
Incorporation and Status	July 1, 1990, by the *Museums Act* (S.C. 1990, c.3); Schedule III, Part I of the *Financial Administration Act*; An agent of Her Majesty.
Appropriate Minister	The Honourable Michel Dupuy, P.C., M.P., Minister of Canadian Heritage
Auditor	Auditor General of Canada

Financial Summary ($ million) Financial year ending March 31.

	1994-95	1993-94	1992-93	1991-92	1990-91
Financial Position					
Total Assets	30.5	25.2	25.6	26.0	23.7
Loans from Private Sector	0.0	0.0	0.0	0.0	0.0
Loans from Canada	0.0	0.0	0.0	0.0	0.0
Shareholder's Equity	15.6	13.7	14.4	13.4	10.9
Operations					
Revenues	7.9	7.1	7.3	6.4	4.2
Net Income	(48.2)	(40.3)	(38.2)	(38.9)	(28.5)
Cash Flow	(45.9)	(36.7)	(35.0)	(35.6)	(26.7)
Funding from Canada					
Budgetary (operating & capital expenditures)	50.1	39.6	39.2	41.5	29.4
Non Budgetary (loans and investments)	0.0	0.0	0.0	0.0	0.0
Payments to Canada					
Loan Repayments	0.0	0.0	0.0	0.0	0.0
Dividends	0.0	0.0	0.0	0.0	0.0
Employment	466	525	525	503	475

CANADIAN MUSEUM OF NATURE

Mandate and Background

The Canadian Museum of Nature's (CMN) mandate is to increase interest in, knowledge of, and appreciation and respect for the natural world throughout Canada and internationally by establishing, developing and maintaining, for research and posterity, a collection of natural history objects with special, but not exclusive, reference to Canada.

Corporate Profile

The CMN program activity structure consists of a Governance Program, three Discovery Programs (the Environmental Issues Program, the National Heritage Program, and the In Touch with Nature Program). In addition, three business programs are operating: the Resource Management Program, the Capital Projects Program and the Business Initiatives Program.

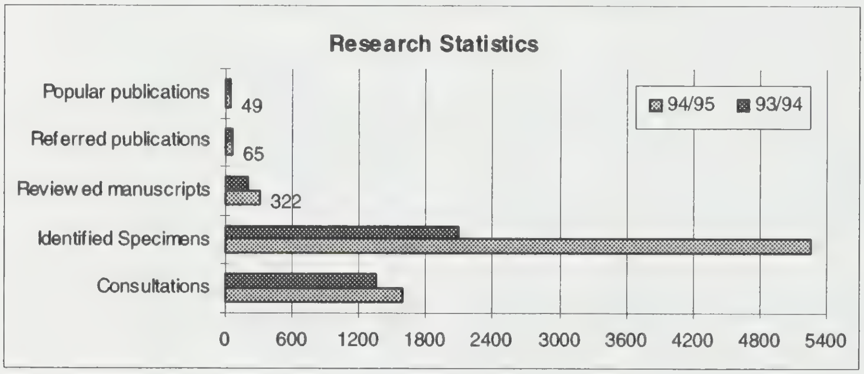
Corporate Highlights

The Museum's appropriations will decrease by $3.5 million over the next three years. To compensate, the Museum intends to offset reductions in appropriations through increased external funding.

The Museum simplified its program structure in 1994-95. The Museum focussed its activities on specific themes. Through re- engineering undertaken in 1993-94, the Museum reduced personnel costs by 12 percent and realized savings of approximately $1.7 million in 1994-95.

The Museum surveyed outside stakeholders to ensure its work is relevant and useful. Four directions were set by the Board: increase Museum accountability to society; use modern, dynamic and interactive communications; become a national institution; and become more entrepreneurial. Local attendance increased by 19 percent which led to a revenue increase of 29.4 percent to $1.9 million.

In 1995, the custody of building accommodations transferred from the Department of Public Works and Government Services to the Museum will allow the centralization of activities into a main site.



Source: Canadian Museum of Nature 1994-95 Annual Report.

CANADIAN MUSEUM OF NATURE

Chairperson	Norman E. Wagner
Chief Executive Officer	Alan R. Emery
Head Office	Victoria Memorial Museum Building 240 Metcalfe Street P.O. Box 3443, Station D Ottawa, Ontario, K1P 6P4 (613) 996-9281 Facsimile: (613) 995-3040
Incorporation and Status	July 1, 1990, by the *Museums Act* (S.C. 1990, c.3); Schedule III, Part I of the *Financial Administration Act*; An agent of Her Majesty.
Appropriate Minister	The Honourable Michel Dupuy, P.C., M.P., Minister of Canadian Heritage
Auditor	Auditor General of Canada

Financial Summary ($ million) Financial year ending March 31.

	1994-95	1993-94	1992-93	1991-92	1990-91
Financial Position					
Total Assets	19.2	7.9	7.3	8.2	5.8
Loans from Private Sector	0.0	0.0	0.0	0.0	0.0
Loans from Canada	0.0	0.0	0.0	0.0	0.0
Shareholder's Equity	4.2	2.3	0.8	0.5	0.8
Operations					
Revenues	1.9	1.5	1.2	2.1	1.0
Net Income	(23.3)	(18.3)	(18.7)	(19.5)	(13.8)
Cash Flow	(22.0)	(16.1)	(17.5)	(18.5)	(13.2)
Funding from Canada					
Budgetary (operating & capital expenditures)	27.4	19.8	19.1	19.2	13.6
Non Budgetary (loans and investments)	0.0	0.0	0.0	0.0	0.0
Payments to Canada					
Loan Repayments	0.0	0.0	0.0	0.0	0.0
Dividends	0.0	0.0	0.0	0.0	0.0
Employment	242	216	251	244	255

CANADIAN NATIONAL RAILWAY COMPANY

Mandate and Background

Canadian National Railway Company (CN) operates a national railway system and other transportation and related services.

CN was created in 1922 from an amalgamation of 200 companies.

Corporate Profile

CN operates Canada's largest railway system, supplying customers with freight rail transportation and related services. CN is composed of CN Enterprises and CN North America, which supplies carload and intermodal distribution systems in Canada and the U.S.

Corporate Highlights

The government announced its intent to sell CN in February 1995, which was followed by Parliament's approval of the *CN Commercialization Act* in July 1995. The Act authorized the sale to the public of all of the Government of Canada's interest in CN.

The sale to the public of CN will position CN as a more competitive railroad in the North American marketplace. Upon acceptance of the public offering, the government will provide $900 million of equity to the Corporation. These funds, together with proceeds from asset sales and cash generated by CN, will be used to reduce the Corporation's outstanding debt.

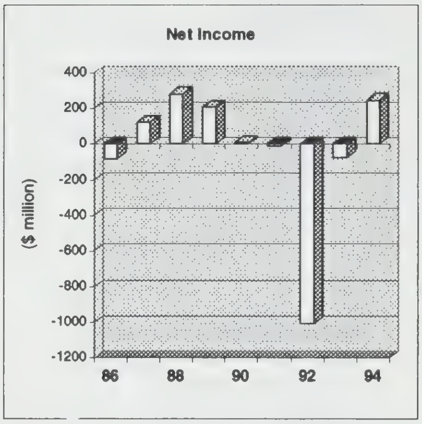
Non-rail assets of CN, including the CN Tower, having a value of $235 million, will be transferred to the government prior to the completion of the share offering. The Canada Lands Company Limited is being revitalized to handle the disposal of these real estate assets.

The Corporation has recently sold or entered into agreements for the sale of certain non-rail assets and businesses, including real estate properties and the oil and gas assets of CN Exploration.

The sale of CN will be the largest initial public offering in Canadian history. The government anticipates receiving gross proceeds of approximately $2 billion from the sale of CN and the net proceeds when received will be applied to the government's Debt Reduction Service Account. The intent of these changes to CN and its operating environment is to provide CN with the opportunity to continue a cost-driven turnaround that began in 1992.

CN reached an agreement with Railtex, an American short line operator, to sell its U.S. subsidiary Central Vermont Railway.

La Société des Chemins de fer de Québec acquired and began operating the former CN Murray Bay line.



Source: Canadian National Railway Company Annual Report 1994.

An Agreement in Principle, reached with FONOROLA to develop the capability of CN's fibre optics network in eastern and western Canada, was finalized in 1995.

After a rail strike, CN reached an agreement with the Brotherhood of Railway, Transport and General Workers on changes to work and seniority rules.

CN continued the workforce downsizing exercise that began in late 1992; since that time a 30 percent reduction has been reached.

CN's focus is on marketing services and to produce a low cost railway. As a result CN has reorganized and consolidated its marketing department into six business units that focus on major client groups. In 1994, CN recorded increases in revenue, net income and a decrease in unit costs.

CANADIAN NATIONAL RAILWAY COMPANY

Chairman	David G.A. McLean
Chief Executive Officer	Paul M. Tellier
Head Office	935 de La Gauchetière, West Montreal, Quebec, H3B 2M9 (514) 399-5430 Facsimile: (514) 399-5479
Incorporation and Status	1922; by the *Canadian National Railway Act* which was superseded by the 1955 Act of the same name (R.S.C. 1985, c. C-19); Schedule III, Part II of the *Financial Administration Act*; Not an agent of Her Majesty.
Appropriate Minister	The Honourable Douglas Young, P.C., M.P., Minister of Transport
Auditor	Poissant Thibault, KPMG Peat Marwick Thorne and Raymond, Chabot, Martin, Paré

Financial Summary ($ million) Financial year ending December 31.

	1994	1993	1992	1991	1990
Financial Position					
Total Assets	7,809.0	7,106.0	7,051.6	6,964.7	7,028.3
Loans from Private Sector	2,332.0	1,999.0	1,752.5	1,750.7	1,712.0
Loans from Canada	81.0	100.0	117.0	133.0	147.6
Shareholder's Equity	2,657.0	2,412.0	2,491.1	3,531.4	3,545.6
Operations					
Revenues	4,672.0	4,208.0	4,051.5	4,057.2	4,078.0
Net Income	245.0	(79.0)	(1,005.2)	(14.3)	7.7
Cash Flow	490.0	194.0	199.2	214.8	251.8
Funding from Canada					
Budgetary (operating & capital expenditures)	0.0	0.0	5.8	10.0	14.0
Non Budgetary (loans and investments)	0.0	0.0	0.0	0.0	0.0
Payments to Canada					
Loan Repayments	19.0	17.0	16.0	15.0	13.0
Dividends	0.0	0.0	35.0	0.0	1.5
Employment	32,667	34,707	35,281	36,196	36,977

CANADIAN SALTFISH CORPORATION

Mandate and Background

The Canadian Saltfish Corporation was mandated to improve earnings of primary producers of cured cod fish by regulating interprovincial and export trade in saltfish from participating provinces, Quebec (Lower North Shore) and Newfoundland.

Corporate Profile

In accordance with enabling legislation, the Corporation buys all saltfish offered to it which is of reasonable quality, and conducts its operations on a self-sustaining financial basis.

Corporate Highlights

The Corporation was dissolved as of March 31, 1995; its remaining assets were transferred to the Department of Fisheries and Oceans.

The worsening state of cod stocks in Atlantic Canada resulted in reduced quotas and more fishing zones were subjected to imposed moratoriums on cod harvesting during the fiscal year 1993-94.

With the moratorium announced in the Groundfish Management Plan for 1994, all fishing zones within the area of jurisdiction of the Canadian Saltfish Corporation were closed to the harvesting of cod.

1995 is last year the Corporation will form part of the *President's Annual Report to Parliament on Crown Corporations and Other Corporate Interests.*

CANADIAN SALTFISH CORPORATION

Chairman	Vacant
Chief Executive Officer	Greg Viscount
Head Office	
Incorporation and Status	1970; by the *Saltfish Act* (R.S.C. 1985, c. S-4); Schedule III, Part I of the *Financial Administration Act*; An agent of Her Majesty.
Appropriate Minister	The Honourable Brian Tobin, P.C., M.P., Minister of Fisheries and Oceans
Auditor	Auditor General of Canada

Financial Summary ($ million) Financial year ending March 31.

	1994-95	1993-94	1992-93	1991-92	1990-91
Financial Position					
Total Assets	0.3	1.1	1.9	5.2	8.4
Loans from Private Sector	0.0	0.0	0.0	0.0	0.0
Loans from Canada	0.0	3.7	3.3	32.8	31.4
Shareholder's Equity	0.3	(3.0)	(1.9)	(29.0)	(25.6)
Operations					
Revenues	0.1	1.0	1.2	3.0	38.0
Net Income	(0.5)	(1.1)	(1.9)	(3.5)	(5.9)
Cash Flow	(0.4)	(0.9)	(1.4)	(2.7)	(4.0)
Funding from Canada					
Budgetary (operating & capital expenditures)	0.0	0.0	29.0	0.0	15.0
Non Budgetary (loans and investments)	0.0	0.3	0.4	1.5	0.0
Payments to Canada					
Loan Repayments	0.0	0.0	0.8	0.1	12.6
Dividends	0.0	0.0	0.0	0.0	0.0
Employment	0	6	13	14	28

CANADIAN WHEAT BOARD, THE

Mandate and Background

The Canadian Wheat Board (CWB) markets wheat and barley grown in Western Canada in the best interests of Western Canada's grain producers and administers the *Prairie Grain Advance Payments Act*.

Corporate Profile

The CWB's responsibility for all exports of wheat and barley grown in the Prairie provinces and some parts of British Columbia provides Prairie farmers with a strong presence in the international grain market.

The CWB issues a government-guaranteed initial payment when the producer delivers grain. Receipts are pooled, and a final payment net of marketing costs is made after the full year's returns have been calculated. Deficits in individual grain pool accounts become, by statute, a charge upon the Consolidated Revenue Fund of Canada. The Board negotiates sales contracts directly with customers or through accredited exporters.

Corporate Highlights

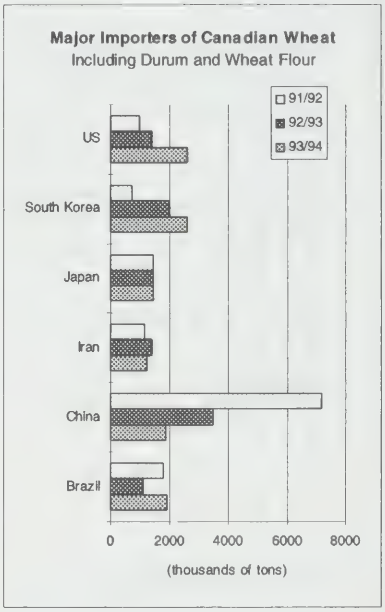
A comprehensive examination of western grain marketing issues that will include a review of the CWB was announced by the federal government in July 1995. The objectives of the examination are to enhance the level of accurate information and common understanding about all aspects of western Canadian grains, oilseeds and specialty crops and to provide a vehicle for fact-based, prairie-wide discussions and analyses of marketing issues.

The CWB had a challenging year in which it confronted trade and transportation issues, and marketing a weather-damaged lower quality wheat crop. During the year the United States initiated an International Trade Commission investigation into the effect of Canadian grain imports on U.S. farm programs. The U.S. requested that Canada voluntarily restrict grain exports into the U.S., which resulted in a Memorandum of Understanding between Canada and the U.S., and placed a limit on wheat exports.

Transportation capacity was reduced by a shortage of rail cars, an over-commitment of available rail cars, and labour disputes in west coast ports. To compensate for the reduced capacity the CWB initiated a trucking program.

The CWB opened a Beijing, China office to enhance exports of Canadian grain to the rapidly growing Chinese market.

The CWB formed a risk management group to manage commodity price risk through the use of exchange traded futures, options and other instruments. Borrowing activity was expanded into new markets to reduce the dependency on North American capital markets.



Source: Canadian Wheat Board 1993-94 Annual Report.

Chief Commissioner	Lorne F. Hehn
Head Office	423 Main Street P.O. Box 816 Winnipeg, Manitoba, R3C 2P5 (204) 983-0239 Facsimile: (204) 983-3841
Incorporation and Status	1935; by The *Canadian Wheat Board Act* (R.S.C. 1985, c. C-24); Exempt from the provisions of Divisions I to IV of Part X of the *Financial Administration Act*; An agent of Her Majesty.
Appropriate Minister	The Honourable Ralph Goodale, P.C., M.P., Minister of Agriculture and Agri-Food
Auditor	Deloitte & Touche

Financial Summary ($ million) Financial year ending July 31.

	1993-94	1992-93	1991-92	1990-91	1989-90
Financial Position					
Total Assets	8,858.6	8,651.1	7,296.4	7,584.2	5,611.8
Loans from Private Sector	7,777.4	7,645.7	6,560.8	7,437.7	5,172.5
Loans from Canada	0.0	0.0	0.0	0.0	0.0
Shareholder's Equity	0.0	0.0	0.0	0.0	0.0
Operations					
Revenues	3,873.4	4,428.1	3,503.9	3,478.0	4,111.0
Surplus on Operations	669.5	892.5	678.3	27.0	359.0
Cash Flow	n.a	n.a	n.a	n.a	n.a
Funding from Canada					
Budgetary (operating & capital expenditures)	0.0	0.0	63.3	784.0	15.0
Non Budgetary (loans and investments)	0.0	0.0	0.0	0.0	0.0
Payments to Canada					
Loan Repayments	0.0	0.0	0.0	0.0	0.0
Dividends	0.0	0.0	0.0	0.0	0.0
Employment	464	443	443	430	430

CAPE BRETON DEVELOPMENT CORPORATION

Mandate and Background

The Cape Breton Development Corporation (CBDC) has the goal of operating a safe, commercially viable coal mines that are dependable supplies of quality coal and related energy products.

Corporate Profile

Cape Breton Development Corporation is the largest coal producer in Eastern Canada and one of the largest industrial employers in Atlantic Canada. It operates two collieries and fully integrated support facilities for the preparation and distribution of coal. Sales are made to Canadian and international markets.

Corporate Highlights

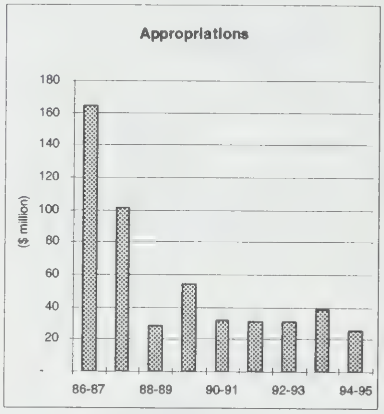
Cape Breton Development Corporation achieved its five-year goal of becoming financially self-sufficient by April 1995. In 1994-95, despite an interruption of operations caused by heavy roof problems and a rock gas outburst at the Phalen Colliery, the Corporation had a record "mining income" of $13.7 million, a $3.6 million improvement over last year. Profit from operations was $10.2 million in 1994-95 as compared to $13.9 million in 1993-94. The total loss incurred after pension and early retirement costs and provision for environmental projects was $20.7 million in 1994-95.

The Corporation expended $26.5 million on capital projects, completing a five-year program of $148 million. One investment, the underground bunker at the Prince Colliery had record production.

Safety and absenteeism rates remain at unacceptable levels. To address this, Cape Breton Development Corporation promotes safety and health through education initiatives and committees.

In 1994-95 Cape Breton Development Corporation contributed $212 million to the Cape Breton economy.

In July 1995, Joe Shannon became Chairman and Acting President replacing Chairman George S. Khattar and President Ernest Boutillier.



Source: Annual Report, Year Ended March 31, 1995, Cape Breton Development Corporation.

CAPE BRETON DEVELOPMENT CORPORATION

Chairman and Acting President and Chief Executive Officer	Joseph P. Shannon
Head Office	95 Union Street P.O. Box 2500 Sydney, Nova Scotia, B1P 6K9 (902) 564-2848 Facsimile: (902) 842-2589
Incorporation and Status	1967; by the *Cape Breton Development Corporation Act*, (R.S.C. 1985, c. C-25); Schedule III, Part I of the *Financial Administration Act*; An agent of Her Majesty.
Appropriate Minister	The Honourable Anne McLellan, P.C., M.P., Minister of Natural Resources
Auditor	Auditor General of Canada

Financial Summary ($ million) Financial year ending March 31.

	1994-95	1993-94	1992-93	1991-92	1990-91
Financial Position					
Total Assets	367.0	379.9	356.8	393.9	411.3
Loans from Private Sector	0.0	0.0	0.0	0.0	0.0
Loans from Canada	5.0	5.0	0.0	30.0	31.0
Shareholder's Equity	272.4	267.7	250.6	262.6	342.5
Operations					
Revenues	235.4	231.8	266.0	253.9	216.3
Net Income	(20.7)	(19.3)	(43.0)	(110.9)	(118.5)
Cash Flow	14.0	11.7	2.6	(8.9)	0.1
Funding from Canada					
Budgetary (operating & capital expenditures)	25.4	38.5	31.0	31.0	31.9
Non Budgetary (loans and investments)	0.0	5.0	0.0	0.0	24.0
Payments to Canada					
Loan Repayments	0.0	0.0	30.0	1.0	0.0
Dividends	0.0	0.0	0.0	4.3	1.1
Employment	2,203	2,279	2,335	2,554	2,852

DEFENCE CONSTRUCTION (1951) LIMITED

Mandate and Background

Defence Construction (1951) Limited contracts for and supervises major military construction and maintenance projects for the Department of National Defence.

Defence Construction is fully funded by the Department of National Defence (DND) through its capital budget.

Corporate Profile

The Department of National Defence, as owner and design authority, provides Defence Construction with the necessary land and funding, as well as with complete drawings and specifications. Defence Construction carries out the construction-related contracting for the Department.

Defence Construction currently provides service in three basic areas: consultant contracting and consultant contract administration; construction contracting; and construction contract management, including supervision and inspection. Defence Construction has recently established an Environmental Services Division to provide project management services in support of DND's environmental program.

Corporate Highlights

Defence Construction has acknowledged that the changing role of DND will have considerable impact on its operations, and is changing to meet clients needs. To plan for these changes, non-traditional business development in the following four areas has been developed: consultant management; consultant management staff assistance; construction contract management and supervision of projects being developed by private sector firms with which DND could enter into alternative financing arrangements; and large-scale decontamination project contracting. As well, nine key performance indicators and service standards for the main business lines have been developed.

In addition, Defence Construction has continued an initiative to review administrative practices to ensure efficiency and effectiveness and has implemented several changes that have result in savings, for example, by moving to contract employees and reducing the number of permanent staff on each DND base.

DEFENCE CONSTRUCTION (1951) LIMITED

Chairman and President	J.R. Lorne Atchison
Head Office	Sir Charles Tupper Building 3rd Floor, A Wing Riverside Drive Ottawa, Ontario, K1A 0K3 (613) 998-9548 Facsimile: (613) 998-1061
Incorporation and Status	1951; by the *Defence Production Act* (R.S.C. 1985, c. D-1); continued under the *Canada Business Corporations Act*, November 21, 1978; Schedule III, Part I of the *Financial Administration Act*; An agent of Her Majesty.
Appropriate Minister	The Honourable David Dingwall, P.C., M.P., Minister of Public Works and Government Services and Minister for the Atlantic Canada Opportunities Agency
Auditor	Auditor General of Canada

Financial Summary ($ million) Financial year ending March 31.

	1994-95	1993-94	1992-93	1991-92	1990-91
Financial Position					
Total Assets	3.0	2.4	2.6	2.3	2.4
Loans from Private Sector	0.0	0.0	0.0	0.0	0.0
Loans from Canada	0.0	0.0	0.0	0.0	0.0
Shareholder's Equity	(0.2)	(0.8)	(1.8)	(2.0)	(2.4)
Operations					
Revenues	18.7	18.2	16.0	15.6	16.4
Net Income	0.6	1.0	0.2	0.4	0.5
Cash Flow	1.8	1.4	0.8	0.5	0.6
Funding from Canada					
Budgetary (operating & capital expenditures)	18.1	17.2	14.8	14.8	15.5
Non Budgetary (loans and investments)	0.0	0.0	0.0	0.0	0.0
Payments to Canada					
Loan Repayments	0.0	0.0	0.0	0.0	0.0
Dividends	0.0	0.0	0.0	0.0	0.0
Employment	210	241	240	233	244

ENTERPRISE CAPE BRETON CORPORATION

Mandate and Background

Enterprise Cape Breton Corporation's (ECBC) mandate is to promote and assist the financing and development of industry on the Island of Cape Breton. ECBC, created on December 1, 1988, was formerly the Industrial Development Division of the Cape Breton Development Corporation.

Corporate Profile

The Corporation takes the lead in creating a business environment which fosters sustainable job development and economic growth on Cape Breton Island and the Mulgrove area, through proactive and innovative leadership in partnership with the private and public sectors, and other relevant organizations.

Corporate Highlights

The Enterprise Cape Breton Corporation's 1994-95 Annual Report was not available at the time of production of this report.

The Corporation has been involved in the development of a new Strategic Business Plan, which contains a fundamental review of its programs and activities, and will identify its focus for the next several years. In addition, the Corporation has increased dialogue with the provincial government, has enhanced its customer responsiveness, and has taken steps to achieve greater community outreach.

ENTERPRISE CAPE BRETON CORPORATION

Chairperson and Chief Executive Officer	Norman Spector
Head Office	P.O. Box 1750 15 Dorchester Street 4th Floor Sydney, Nova Scotia, B1P 6T7 (902) 564-3600 Facsimile: (902) 564-3825
Incorporation and Status	1988; by the *Government Organization Act, Atlantic Canada*, 1987 (S.C. 1988, c.50); Schedule III, Part I of the *Financial Administration Act*; An agent of Her Majesty.
Appropriate Minister	The Honourable David Dingwall, P.C., M.P., Minister of Public Works and Government Services and Minister for the Atlantic Canada Opportunities Agency
Auditor	Auditor General of Canada

Financial Summary ($ million) Financial year ending March 31.

	1994-95	1993-94	1992-93	1991-92	1990-91
Financial Position					
Total Assets	4.5	4.4	5.2	7.4	18.4
Loans from Private Sector	0.0	0.0	0.0	0.0	0.0
Loans from Canada	0.0	0.0	0.0	0.0	0.0
Shareholder's Equity	2.2	2.4	2.5	4.7	16.7
Operations					
Revenues	0.9	1.1	1.1	1.2	1.4
Net Income	(15.7)	(9.9)	(12.4)	(18.0)	(15.3)
Cash Flow	(15.1)	(9.9)	(10.1)	(9.4)	(7.7)
Funding from Canada					
Budgetary (operating & capital expenditures)	15.6	9.8	10.1	10.4	10.6
Non Budgetary (loans and investments)	0.0	0.0	0.0	0.0	0.0
Payments to Canada					
Loan Repayments	0.0	0.0	0.0	0.0	0.0
Dividends	0.0	0.0	0.0	0.0	0.0
Employment	41	45	45	50	50

EXPORT DEVELOPMENT CORPORATION

Mandate and Background

As Canada's official export credit agency, the Export Development Corporation (EDC) helps Canadian exporters compete more effectively in international markets by reducing financial risks in support of export trade. EDC provides credit insurance, loans, guarantees, and other financial services.

EDC benefits from Canada's membership in the Paris Club, an international group formed to deal on a multilateral basis with payment difficulties experienced by sovereign entities. Rescheduling agreements are coupled with the International Monetary Fund disciplines to alleviate these payment problems. Canada compensates EDC for any financial consequences arising from Canada's participation in multilateral activities to provide debt and debt service reduction. On June 10, 1993, Royal assent was given to amendments to EDC's Act which expanded its powers to provide assistance to exporters.

Corporate Profile

EDC encourages the growth of small and medium-sized enterprises by providing financial services to help these Canadian businesses compete in the global marketplace. These risk management services include insurance, financing and guarantees.

In addition to its corporate activities, EDC administers the Canada Account -- export insurance and financing in support of export transactions considered to be in the national interest but not considered appropriate for EDC's own account. This Account is maintained separately from the Corporation's accounts, and is consolidated with the financial statements of the Government of Canada.

Corporate Highlights

As part of the G-7 endeavour to reduce some countries' debt problems, the Government of Canada agreed to forgive a portion of Poland's and Egypt's outstanding debts to the EDC. This contributed significantly to the increased EDC 1994 net income of $171 million compared to $41 million in 1993-94.

EDC enhanced support to small and medium-sized enterprises with two new initiatives. A partnership agreement with Canada's banking community provides greater access to international trade finance. Loans to a variety of foreign borrowers are secured with EDC backing. As well, Northstar Trade Finance was launched, a new company offering export financing to creditworthy borrowers in developed countries. EDC provides Northstar with expanded-term insurance coverage against non-payment by the buyer.

In 1994, EDC began a fundamental restructuring. EDC received the Canadian Productivity Award for a system that reduced turnaround times on buyer credit approvals from 11 to 3 days.

Source: Export Development Corporation 1994 Annual Report

EXPORT DEVELOPMENT CORPORATION

Chairman	Alexander K. Stuart
President and CEO	Paul E. Labbé
Head Office	Place Export Canada 14th Floor, 151 O'Connor Street P.O. Box 655 Ottawa, Ontario, K1P 5T9 (613) 598-2500, Facsimile: (613) 598-2705
Incorporation and Status	1969; by the *Export Development Act* (R.S.C. 1985, c. E-20) (R.S.C. 1993, c. C-118); Schedule III, Part I of the *Financial Administration Act*; An agent of Her Majesty.
Appropriate Minister	The Honourable Roy MacLaren, P.C., M.P., Minister for International Trade
Auditor	Auditor General of Canada

Financial Summary ($ million) Financial year ending December 31.

	1994	1993	1992	1991	1990
Financial Position					
Total Assets	9,375	9,154	8,107	7,168	7,040
Loans from Private Sector	7,660	7,624	6,746	5,914	5,855
Loans from Canada	0	0	0	0	0
Shareholder's Equity	1,091	895	879	835	786
Operations					
Revenues	844	699	660	610	642
Net Income	171	41	44	33	6
Cash Flow	298	250	145	190	103
Funding from Canada					
Budgetary (operating & capital expenditures)	0	0	0	0	0
Non Budgetary (loans and investments)	25	0	0	16	75
Payments to Canada					
Loan Repayments	0	0	0	0	0
Dividends	0	25	0	0	0
Canada Account:					
Financial Position					
Assets administered for Canada	2,641	2,333	1,906	1,537	1,256
Budgetary Appropriations	139	162	185	158	176
Employment	549	541	512	513	514

FARM CREDIT CORPORATION

Mandate and Background

The Farm Credit Corporation (FCC) assists Canadian farmers to establish and develop viable farm enterprises by providing long-term credit and other financial services.

FCC's legislative mandate was expanded in 1993 and activities now include aquaculture and agri-forestry.

Corporate Profile

The FCC makes mortgage loans to farmers for the purchase of farm land, livestock and machinery, permanent farm improvements and for debt refinancing. FCC also lends to groups of farmers for the joint acquisition of agricultural facilities and equipment. FCC participates in joint initiatives with provinces and other institutions. The Corporation maintains six regional offices and 101 district and field offices.

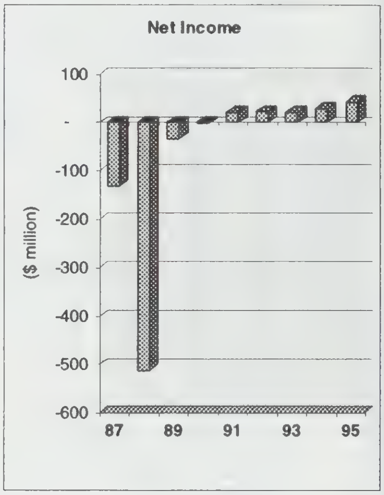
Corporate Highlights

For the fifth consecutive year, FCC recorded a profit. The 1994-95 net income was $42.7 million, compared with $28.3 million the year before. In September 1995 FCC declared a dividend of $4.0 million, the first dividend since a major overhaul of its legislation and mandate in 1958. Several factors contributed to increased profitability, including an increase in lending volumes, a more diverse portfolio, fewer loans in arrears, lower loan losses, and fewer property acquisitions. FCC's accumulation of profits has contributed to an improved debt-to-equity ratio.

The increased export opportunities for Canadian producers resulting from the more stable trading environment provided by the World Trade Organization (WTO) and the North American Free Trade Agreement (NAFTA), and the favourable production year helped FCC to increase lending volumes and to decrease non-performing loans.

FCC undertook new initiatives to reduce duplication of services and provide a higher level of service. These included a cattle futures pilot project with the Department of Agriculture and Agri-food.

The removal of the Crow Rate transportation subsidy and a reduction in farm subsidies are expected provide new challenges and opportunities for the farming community.



Source: Farm Credit Corporation Annual Report 1994-95.

FARM CREDIT CORPORATION

Chairperson	Donald W. Black
Chief Executive Officer	C. Gerald Penney
Head Office	1800 Hamilton Street P.O. Box 4320 Regina, Saskatchewan, S4P 4L3 (306) 780-8100 Facsimile: (306) 780-5875
Incorporation and Status	959; by the *Farm Credit Act* (R.S.C. 1993, c. C-95); Schedule III, Part I of the *Financial Administration Act*; An agent of Her Majesty.
Appropriate Minister	The Honourable Ralph Goodale, P.C., M.P., Minister of Agriculture and Agri-Food
Auditor	Auditor General of Canada

Financial Summary ($ million) Financial year ending March 31.

	1994-95	1993-94	1992-93	1991-92	1990-91
Financial Position					
Total Assets	3,986.3	3,773.6	3,623.0	3,687.0	3,810.4
Loans from Private Sector	1,270.3	1,049.9	798.1	813.0	1,128.0
Loans from Canada	2,251.1	2,303.1	2,417.9	2,486.7	2,432.0
Shareholder's Equity	359.6	316.9	288.6	268.1	146.6
Operations					
Revenues	385.9	373.1	391.9	405.8	426.2
Net Income	42.7	28.3	20.4	21.6	20.4
Cash Flow	63.1	39.1	53.4	42.6	23.6
Funding from Canada					
Budgetary (operating & capital expenditures)	0.0	0.0	0.0	0.0	0.0
Non Budgetary (loans and investments)	302.0	643.1	265.0	515.5	256.6
Payments to Canada					
Loan Repayments	354.0	760.0	335.7	338.5	388.3
Dividends	0.0	0.0	0.0	0.0	0.0
Employment	760	760	718	727	719

FRESHWATER FISH MARKETING CORPORATION

Mandate and Background

The objectives of the Corporation are to market fish in an orderly manner to increase returns to fishers, and to promote international markets for, and increase interprovincial and export trade in, freshwater fish.

The Corporation was created to improve the economic situation of commercial fisheries in Western Canada.

Corporate Profile

The Corporation has the exclusive right to market the products of the commercial fishery from the region it serves and is required by its enabling legislation to operate on a self-sustaining basis. Its products are sold in direct competition with producers from the Great Lakes area as well as competing against other fish products in an open marketplace.

Corporate Highlights

The Freshwater Fish Marketing Corporation's 1994-95 Annual Report was not available at the time of production of this report.

FRESHWATER FISH MARKETING CORPORATION

Chairperson	Sam Murdock
President and General Manager	Tom Dunn
Head Office	1199 Plessis Road Winnipeg, Manitoba, R3C 3L4 (204) 983-6600 Facsimile: (204) 983-6497
Incorporation and Status	1969; by the *Freshwater Fish Marketing Act* (R.S.C. 1985, c. F-13); Schedule III, Part I of the *Financial Administration Act*; An agent of Her Majesty.
Appropriate Minister	The Honourable Brian Tobin, P.C., M.P., Minister of Fisheries and Oceans
Auditor	Auditor General of Canada

Financial Summary ($ million) Financial year ending April 30.

	1994-95	1993-94	1992-93	1991-92	1990-91
Financial Position					
Total Assets	17.5	15.9	19.2	22.3	18.6
Loans from Private Sector	10.5	9.4	12.6	10.3	3.2
Loans from Canada	1.0	0.5	0.8	5.4	9.9
Shareholder's Equity	4.2	4.2	4.0	3.8	3.4
Operations					
Revenues	43.7	38.8	45.8	51.5	52.1
Net Income	0.0	0.2	0.2	0.4	0.1
Cash Flow	1.2	1.5	1.7	2.0	1.7
Funding from Canada					
Budgetary (operating & capital expenditures)	0.0	0.0	0.0	0.0	0.0
Non Budgetary (loans and investments)	0.5	0.0	0.0	0.0	0.0
Payments to Canada					
Loan Repayments	0.0	0.3	4.6	4.5	11.2
Dividends	0.0	0.0	0.0	0.0	0.0
Employment	38	38	40	42	40

GREAT LAKES PILOTAGE AUTHORITY, LTD.

Mandate and Background

The Great Lakes Pilotage Authority, Ltd. operates, maintains and administers a safe and efficient pilotage service in the designated Canadian waters in the Great Lakes area in and around Ontario, in designated waters in Manitoba, and in the St. Lawrence River, south of the St. Lambert Lock in Quebec.

The Authority is a wholly-owned subsidiary of St. Lawrence Seaway Authority, but reports as a parent Crown corporation.

Corporate Profile

The Authority, with the approval of the Governor in Council, makes regulations that prescribe the establishment of compulsory pilotage areas; the ship or classes of ships which are subject to compulsory pilotage; the circumstances under which compulsory pilotage may be waived; the tariffs or pilotage charges; and the classes of licences and classes of pilotage certificates that may be issued. The Authority is required to set fair and reasonable tariffs that ensure self-sustaining operations.

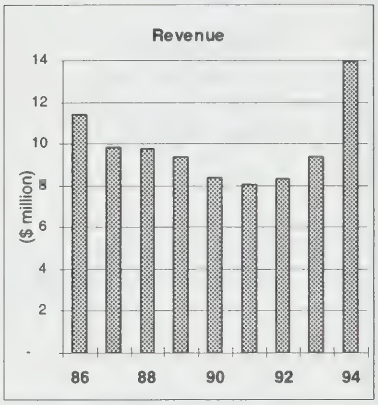
Corporate Highlights

The Authority's revenue increased by $4.5 million and its net income increased by $3.3 million due to a significant traffic increase. The increase resulted from increased steel imports and grain exports.

Although the Authority achieved a positive net income it received $0.6 million in appropriations to cover its 1993 cash deficiency.

The Minister of Transport is considering a fundamental overhaul of the marine sector which encompasses the ports, pilotage, the St. Lawrence Seaway, ferry operations and the Coast Guard. Apart from the Coast Guard, the marine sector is dominated by Crown corporations: the 15 Ports Canada ports, comprising 50 percent of Canadian port activity; the four pilotage authorities; the St. Lawrence Seaway Authority and Marine Atlantic Inc. The government's objective is to rationalize operations, commercialize activities, reduce subsidies and restructure the corporate form.

If a new marine policy is put in place, it will have a significant effect on Great Lakes Pilotage Authority.



Source: Great Lakes Pilotage Authority Inc. Annual Report 1994.

GREAT LAKES PILOTAGE AUTHORITY, LTD.

Chairman	Richard G. Armstrong
Head Office	Second Floor 202 Pitt Street P.O. Box 95 Cornwall, Ontario, K6J 3P7 (613) 933-2991 Facsimile: (613) 932-3793
Incorporation and Status	1972; pursuant to the *Pilotage Act* (R.S.C. 1985, c. P-14); Schedule III, Part I of the *Financial Administration Act*; incorporated under the *Canada Corporations Act* in May 1972 as a subsidiary of The St. Lawrence Seaway Authority; Not an agent of Her Majesty.
Appropriate Minister	The Honourable Douglas Young, P.C., M.P., Minister of Transport
Auditor	Auditor General of Canada

Financial Summary ($ million) Financial year ending December 31.

	1994	1993	1992	1991	1990
Financial Position					
Total Assets	7.6	2.3	2.9	2.8	2.8
Loans from Private Sector	0.0	0.0	0.0	0.0	0.0
Loans from Canada	0.0	0.0	0.0	0.0	0.0
Shareholder's Equity	1.7	(2.3)	(2.5)	(3.2)	(2.8)
Operations					
Revenues	13.9	9.4	8.3	8.0	8.4
Net Income	3.3	0.0	(1.1)	(1.9)	(1.6)
Cash Flow	3.5	0.3	(0.9)	(1.5)	(1.3)
Funding from Canada					
Budgetary (operating & capital expenditures)	0.6	0.2	1.9	1.4	0.0
Non Budgetary (loans and investments)	0.0	0.0	0.0	0.0	0.0
Payments to Canada					
Loan Repayments	0.0	0.0	0.0	0.0	0.0
Dividends	0.0	0.0	0.0	0.0	0.0
Employment	80	81	89	90	98

HALIFAX PORT CORPORATION

Mandate and Background

The Halifax Port Corporation administers, manages and controls the Halifax Harbour and works and property within the harbour.

Corporate Profile

The Corporation is an autonomous local port corporation that provides, in a cost effective and equitable manner, services for Canada's international shipping trade in the Halifax port area.

Corporate Highlights

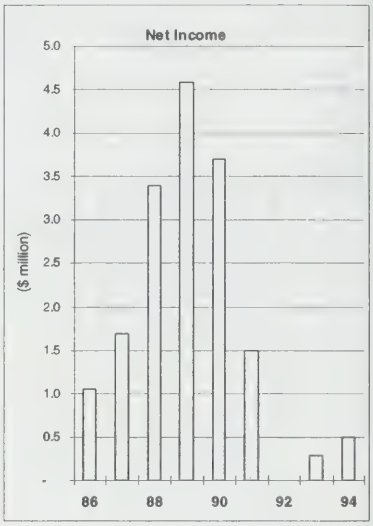
The Halifax Port Corporation recorded the same level of total traffic through the port. An 8 percent increase in cargo volume, and a 22 percent increase in cruise ship business, were offset by a decline in grain volume attributable to the removal of the AT & East Rate Subsidy. The Corporation is developing initiatives to address declining grain volume.

The Corporation succeeded in obtaining flexibility in its operations by negotiating wage and benefit concessions.

The Corporation's revenue increased 5 percent, and net income increased 69 percent, primarily due to declining labour costs and other expenses, which were offset by a 43 percent increase in maintenance expenditures.

The Minister of Transport is considering a fundamental overhaul of the marine sector which encompasses the ports, pilotage, the St. Lawrence Seaway, ferry operations and the Coast Guard. Apart from the Coast Guard, the marine sector is dominated by Crown corporations: the 15 Ports Canada ports, comprising 50 percent of Canadian port activity; the four pilotage authorities; the St. Lawrence Seaway Authority and Marine Atlantic Inc. The government's objective is to rationalize operations, commercialize activities, reduce subsidies and restructure the corporate form.

If a new marine policy is put in place, it will have a significant effect on the Halifax Port Corporation.



Source: Halifax Port Corporation Annual Report 1994.

HALIFAX PORT CORPORATION

Chairman	Mervyn C. Russell
President and Chief Executive Officer	David F. Bellefontaine
Head Office	Pier 19, 1215 Marginal Road Halifax, Nova Scotia, B3J 2P6 (902) 426-3643 Facsimile: (902) 426-7335
Incorporation and Status	1984; letters patent of incorporation pursuant to subsection 25 (1) of the *Canada Ports Corporation Act* (R.S.C. 1985, c. C-9); Schedule III, Part II of the *Financial Administration Act*; An agent of Her Majesty.
Appropriate Minister	The Honourable Douglas Young, P.C., M.P., Minister of Transport
Auditor	Doane Raymond

Financial Summary ($ million) Financial year ending December 31.

	1994	1993	1992	1991	1990
Financial Position					
Total Assets	67.5	66.3	65.9	68.9	70.0
Loans from Private Sector	0.0	0.0	0.0	0.0	0.0
Loans from Canada	0.0	0.0	0.0	2.7	3.1
Shareholder's Equity	63.6	63.1	62.8	62.8	62.1
Operations					
Revenues	11.7	11.2	11.2	14.0	16.0
Net Income	0.5	0.3	0.0	1.5	3.7
Cash Flow	2.7	2.4	2.3	3.7	5.8
Funding from Canada					
Budgetary (operating & capital expenditures)	0.0	0.0	0.0	0.0	0.0
Non Budgetary (loans and investments)	0.0	0.0	0.0	0.0	0.0
Payments to Canada					
Loan Repayments	0.0	0.0	2.7	0.4	0.4
Dividends	0.0	0.0	0.1	2.2	2.5
Employment	68	63	88	93	97

INTERNATIONAL DEVELOPMENT RESEARCH CENTRE

Mandate and Background

The International Development Research Centre initiates, encourages, supports and conducts research into the problems of the developing regions of the world and into the means for applying and adapting scientific, technical and other knowledge to the economic and social advancement of those regions.

The Centre was created 25 years ago to help resolve, through research carried out by Third World scientists, the problems of poverty in developing countries.

Corporate Profile

The Centre has established the following main program areas: technology and the environment; integrating policies; food systems under stress; information and communication; health and the environment; and biodiversity. Further to the Earth Summit in Rio de Janeiro in June 1992, the activities of IDRC have been broadened to emphasize sustainable development issues.

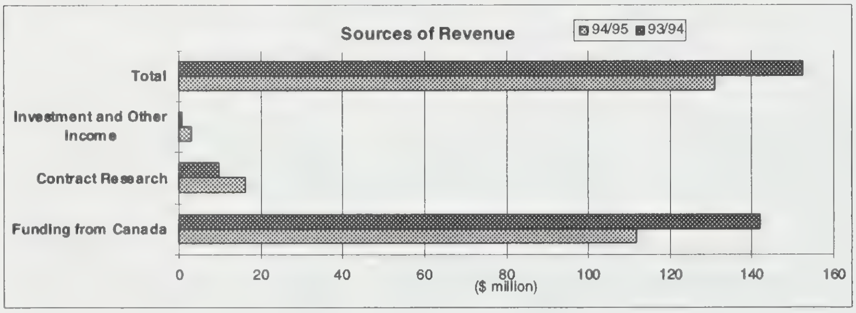
Corporate Highlights

In 1994-95, IDRC received some $16.3 million in external funding, representing a 63.5 percent increase over the previous year. As well, the Centre has reduced operating costs from 34 to 28 percent of total expenditures.

In anticipation of future reductions in appropriations, the Centre will focus on revenue generation from external sources such as consulting and contract management services, participation with other partners in ventures, and royalties from the use of technologies developed.

In 1994-95 IDRC funded a total of $90 million in development research.

The Centre is moving towards streamlining its programs by targeting funds into critical research initiatives that promise major development benefits and that can leverage funds from other sources.



Source: International Development Research Centre 1994-95 Annual Report

INTERNATIONAL DEVELOPMENT RESEARCH CENTRE

Chairperson	Hon. Flora MacDonald
President and Chief Executive Officer	Keith A. Bezanson
Head Office	3th Floor, 250 Albert Street P.O. Box 8500 Ottawa, Ontario, K1G 3H9 (613) 236-6163 Facsimile: (613) 238-7230
Incorporation and Status	1970; by the *International Development Research Centre Act*, (R.S.C. 1985, c. I-19); Exempt from provisions of Divisions I to IV of Part X of the *Financial Administration Act*; Not an agent of Her Majesty.
Appropriate Minister	The Honourable André Ouellet, P.C., M.P., Minister of Foreign Affairs
Auditor	Auditor General of Canada

Financial Summary ($ million) Financial year ending March 31.

	1994-95	1993-94	1992-93	1991-92	1990-91
Financial Position					
Total Assets	43.3	41.3	18.1	19.3	24.7
Loans from Private Sector	0.0	0.0	0.0	0.0	0.0
Loans from Canada	0.0	0.0	0.0	0.0	0.0
Shareholder's Equity	26.0	24.9	0.1	1.9	8.6
Operations					
Revenues	132.5	153.7	127.1	123.5	122.5
Net Income	1.1	24.9	1.9	(10.4)	4.5
Cash Flow	2.2	26.6	3.4	(4.5)	6.0
Funding from Canada					
Budgetary (operating & capital expenditures)	111.9	142.0	117.1	115.8	114.1
Non Budgetary (loans and investments)	0.0	0.0	0.0	0.0	0.0
Payments to Canada					
Loan Repayments	0.0	0.0	0.0	0.0	0.0
Dividends	0.0	0.0	0.0	0.0	0.0
Employment	470	467	459	563	571

LAURENTIAN PILOTAGE AUTHORITY

Mandate and Background

The Laurentian Pilotage Authority operates, maintains and administers a safe and efficient pilotage service in the St. Lawrence River between Les Escoumins and the north end of the St. Lambert Lock, and in the Saguenay River and the Chaleur Bay.

Corporate Profile

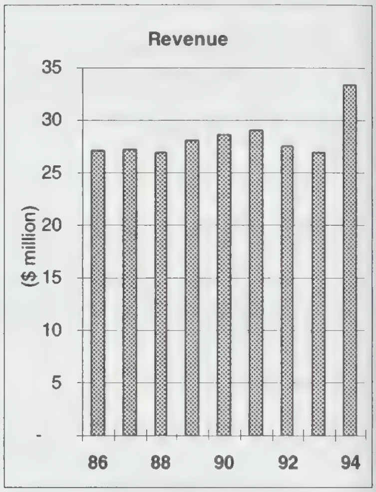
The Authority, with the approval of the Governor in Council, makes regulations that prescribe the establishment of compulsory pilotage areas; the ship or classes of ships which are subject to compulsory pilotage; the circumstances under which compulsory pilotage may be waived; the tariffs or pilotage charges; and the classes of licences and classes of pilotage certificates that may be issued. The Authority is required to set fair and reasonable tariffs that ensure self-sustaining operations.

Corporate Highlights

The Authority's increase in pilotage assignments and an 8.9 percent increase in pilotage tariffs contributed to an increase in revenue of $6 million. The Authority's operations for 1994 showed a net loss of $3.2 million.

The Minister of Transport is considering a fundamental overhaul of the marine sector which encompasses the ports, pilotage, the St. Lawrence Seaway, ferry operations and the Coast Guard. Apart from the Coast Guard, the marine sector is dominated by Crown corporations: the 15 Ports Canada ports, comprising 50 percent of Canadian port activity; the four pilotage authorities; the St. Lawrence Seaway Authority and Marine Atlantic Inc. The government's objective is to rationalize operations, commercialize activities, reduce subsidies and restructure the corporate form.

If a new marine policy is put in place, it will have a significant effect on the Laurentian Pilotage Authority.



Source: Laurentian Pilotage Authority 1994 Annual report.

LAURENTIAN PILOTAGE AUTHORITY

Chairman	Jean-Claude Michaud
Head Office	6th Floor 715 Victoria Square P.O. Box 680, Stock Exchange Tower Montreal, Quebec, H4Z 1J9 (514) 283-6320 Facsimile: (514) 496-2409
Incorporation and Status	1972; pursuant to the *Pilotage Act* (R.S.C. 1985, c. P-14); Schedule III, Part I of the *Financial Administration Act*; Not an agent of Her Majesty.
Appropriate Minister	The Honourable Douglas Young, P.C., M.P., Minister of Transport
Auditor	Auditor General of Canada

Financial Summary ($ million) Financial year ending December 31.

	1994	1993	1992	1991	1990
Financial Position					
Total Assets	8.1	6.9	7.1	6.9	5.1
Loans from Private Sector	0.4	0.8	1.1	1.4	1.3
Loans from Canada	0.0	0.0	0.0	0.0	0.0
Shareholder's Equity	0.1	(0.7)	(0.3)	(1.7)	(1.3)
Operations					
Revenues	33.4	27.0	27.5	29.0	28.6
Net Income	(3.2)	(6.0)	(4.9)	(5.1)	(2.2)
Cash Flow	(3.0)	(5.9)	(4.8)	(5.0)	(2.1)
Funding from Canada					
Budgetary (operating & capital expenditures)	5.0	6.2	6.3	4.8	2.1
Non Budgetary (loans and investments)	0.0	0.0	0.0	0.0	0.0
Payments to Canada					
Loan Repayments	0.0	0.0	0.0	0.0	0.0
Dividends	0.0	0.0	0.0	0.0	0.0
Employment	241	245	256	256	270

MARINE ATLANTIC INC.

Mandate and Background

Marine Atlantic Inc. acquires, establishes, manages and operates a marine transportation service; a marine maintenance, repair and refit service; a marine construction business and any service or business related thereto.

Corporate Profile

Marine Atlantic Inc. provides marine ferry services to Atlantic Canada with 15 company-owned and three chartered ships and operates a ship repair and refit facility in St. John's, Newfoundland.

Corporate Highlights

The Corporation experienced a 2 percent increase in passenger traffic and a 15 percent increase in commercial traffic. It transported more than 2.5 million passengers, one million vehicles, and 56,000 tons of freight in 1994. The company's ferries made 18,213 single crossings, a growth of 16 percent, due mostly to transporting materials required for construction of the fixed link to Prince Edward Island.

Federal government subsidies were reduced by $19.6 million from $128.3 million to $108.7 million and are expected to continue to decline. Revenues increased due to an average rate increase of 3.5 percent, and traffic growth that was helped by an extended summer season and a tourism campaign initiated by Marine Atlantic, the province and the tourism industry associations. Cost reductions such as improved scheduling of vessels, lower fuel costs and closing the freight terminal in St. John's contributed to the reduction in government subsidies.

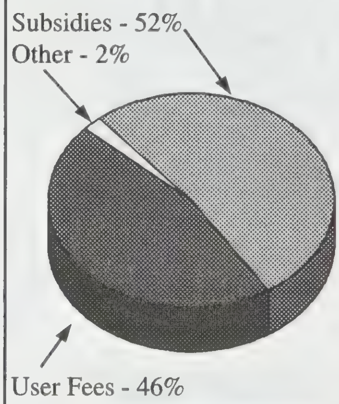
Although Newfoundland Dockyard revenues increased from $8 million to $27 million, costs also increased and the Dockyard lost $3.4 million which was covered through federal subsidies.

Capital expenditures totalled $13.9 million, with the largest expenditure being $2.5 million for renovations to the terminal building in Port aux Basques.

The Minister of Transport is considering a fundamental overhaul of the marine sector which encompasses the ports, pilotage, the St. Lawrence Seaway, ferry operations and the Coast Guard. Apart from the Coast Guard, the marine sector is dominated by Crown corporations: the 15 Ports Canada ports, comprising 50 percent of Canadian port activity; the four pilotage authorities; the St. Lawrence Seaway Authority and Marine Atlantic Inc. The government's objective is to rationalize operations, commercialize activities, reduce subsidies and restructure the corporate form.

If a new marine policy is put in place, it will have a significant effect on Marine Atlantic Inc.

Source of 1994 Revenues



Source: Marine Atlantic Inc. 1994 Annual Report.

MARINE ATLANTIC INC.

Chairperson	Alan K. Scales
President and Chief Executive Officer	Roderick J. Morrison
Head Office	100 Cameron Street Moncton, New Brunswick, E1C 5Y6 (506) 851-3600 Facsimile: (506) 851-3786
Incorporation and Status	1979; by the *Canada Business Corporations Act*. Status and ownership changed as of December 31, 1986 (S.C. 1986, C. 36); Schedule III, Part I of the *Financial Administration Act*; Not an agent of Her Majesty.
Appropriate Minister	The Honourable Douglas Young, P.C., M.P., Minister of Transport
Auditor	KPMG Peat Marwick Thorne and the Auditor General of Canada

Financial Summary ($ million) Financial year ending December 31.

	1994	1993	1992	1991	1990
Financial Position					
Total Assets	396.1	403.1	414.3	448.5	480.0
Loans from Private Sector	0.0	0.0	0.0	0.0	0.0
Loans from Canada	0.0	0.0	0.0	0.0	0.0
Shareholder's Equity	(13.2)	(13.4)	(13.1)	(3.3)	(2.9)
Operations					
Revenues	223.7	200.5	202.9	197.5	198.4
Net Income	0.2	(0.3)	(0.3)	(0.4)	(0.2)
Cash Flow	2.1	(3.2)	(0.7)	(9.9)	(0.1)
Funding from Canada					
Budgetary (operating & capital expenditures)	108.7	128.3	122.8	127.2	132.8
Non Budgetary (loans and investments)	0.0	0.0	0.0	0.0	0.0
Payments to Canada					
Loan Repayments	0.0	0.0	0.0	0.0	0.0
Dividends	0.0	0.0	0.0	0.0	0.0
Employment	2,110	2,127	2,175	2,240	2,300

MONTREAL PORT CORPORATION

Mandate and Background

The Montreal Port Corporation administers, manages and controls the Montreal Harbour and works and property within the harbour.

Corporate Profile

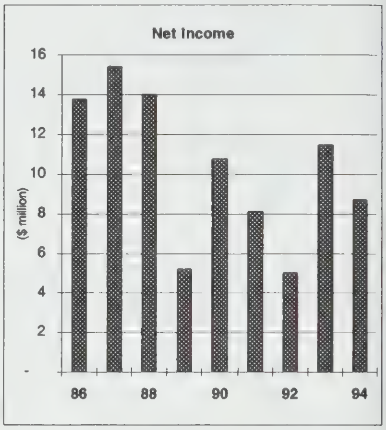
The Corporation is an autonomous local port corporation that provides, in a cost effective and equitable manner, services for Canada's international shipping trade in the Montreal port.

Corporate Highlights

The Montreal Port Corporation handled a 22 percent increase in total volume, which increased revenues. However, primarily due to an increase in grants in lieu of taxes and a write off of fixed assets, the Corporation's net income decreased.

The Minister of Transport is considering a fundamental overhaul of the marine sector which encompasses the ports, pilotage, the St. Lawrence Seaway, ferry operations and the Coast Guard. Apart from the Coast Guard, the marine sector is dominated by Crown corporations: the 15 Ports Canada ports, comprising 50 percent of Canadian port activity; the four pilotage authorities; the St. Lawrence Seaway Authority and Marine Atlantic Inc. The government's objective is to rationalize operations, commercialize activities, reduce subsidies and restructure the corporate form.

If a new marine policy is put in place, it will have a significant effect on the Montreal Port Corporation.



Source: 1994 Montreal Port Corporation Annual Report.

MONTREAL PORT CORPORATION

Chairman	André Gingras
President and Chief Executive Officer	Dominic J. Taddeo
Head Office	Montreal Port Building Cité du Havre, Wing No. 1 Montreal, Quebec, H3C 3R5 (514) 283-7042 Facsimile: (514) 283-0829
Incorporation and Status	983; letters patent of incorporation pursuant to subsection 25(1) of the *Canada Ports Corporation Act* (R.S.C. 1985, c. C-9); Schedule III, Part II of the *Financial Administration Act*; An agent of Her Majesty.
Appropriate Minister	The Honourable Douglas Young, P.C., M.P., Minister of Transport
Auditor	Samson Bélair and Deloitte & Touche

Financial Summary ($ million) Financial year ending December 31.

	1994	1993	1992	1991	1990
Financial Position					
Total Assets	235.4	226.6	222.9	218.3	231.2
Loans from Private Sector	0.0	0.0	0.0	0.0	0.0
Loans from Canada	4.1	4.7	5.2	5.7	6.1
Shareholder's Equity	214.9	209.3	204.6	201.0	195.5
Operations					
Revenues	61.5	56.3	57.4	58.6	63.2
Net Income	8.7	11.4	5.0	8.1	10.8
Cash Flow	20.4	16.5	15.1	18.4	20.5
Funding from Canada					
Budgetary (operating & capital expenditures)	0.0	0.0	0.0	0.0	0.0
Non Budgetary (loans and investments)	0.0	0.0	0.0	0.0	0.0
Payments to Canada					
Loan Repayments	0.6	0.5	0.5	0.5	0.4
Dividends	3.1	6.8	1.3	15.0	13.6
Employment	349	349	401	475	520

NATIONAL ARTS CENTRE CORPORATION

Mandate and Background

The National Arts Centre (NAC) operates and maintains the Centre, develops the performing arts in the national capital region and assists the Canada Council in the development of the performing arts elsewhere in Canada.

Corporate Profile

The NAC is a Canadian creative centre for the performing arts and a catalyst for artistic creation in all of the performing arts. The NAC provides multi-disciplinary programming in English and French, and houses the National Arts Centre Orchestra.

The NAC reflects Canada's commitment to the arts and is a showcase for Canadian achievement and innovation.

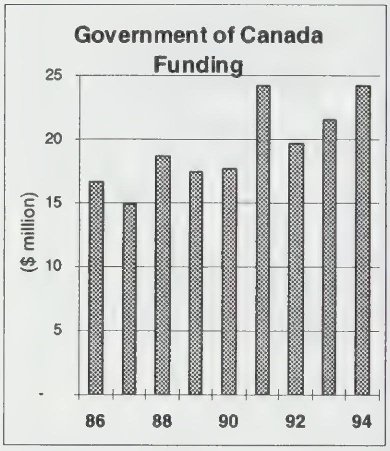
Corporate Highlights

Jean Thérèse Riley was appointed NAC Chairman in April 1995. Joan Pennefather was appointed Executive Director of the NAC in December 1994.

The NAC released a statement of purpose and strategic direction in June 1995. The statement details how the Centre will accommodate its planned budget cuts totalling 29 percent over 3 years. By 1997-98 the Centre's appropriations will be reduced to $15.3 million.

The NAC will implement major programming changes beginning in 1996-97. Programming will focus on the National Arts Centre Orchestra, biyearly festivals, summer programming and special programs such as the "director in residence" program. By focusing these events into a tighter, more intense time frame, the NAC hopes to offer better sponsorship opportunities, free up time for money-making events and increase rental opportunities.

The NAC has offered its employees an early departure program to reduce its workforce by 10 percent and it will review all activities including restaurant and catering facilities.



Source: National Arts Centre 1993-1994 Annual Report.

NATIONAL ARTS CENTRE CORPORATION

Chairman	Jean Thérèse Riley
Chief Executive Officer	Joan Pennefather
Head Office	53 Elgin Street P.O. Box 1534, Station B Ottawa, Ontario, K1P 5W1 (613) 947- 7000 Facsimile: (613) 996-9578
Incorporation and Status	1966; by the *National Arts Centre Act* (R.S.C. 1985, c. N-3); Exempt from the provisions of Divisions I to IV of Part X of the *Financial Administration Act*; Not an agent of Her Majesty. A charitable organization for the purposes of the Income Tax Act.
Appropriate Minister	The Honourable Michel Dupuy, P.C., M.P., Minister of Canadian Heritage
Auditor	Auditor General of Canada

Financial Summary ($ million) Financial year ending August 31.

	1993-94	1992-93	1991-92	1990-91	1989-90
Financial Position					
Total Assets	20.0	17.6	16.5	17.5	7.7
Loans from Private Sector	0.0	0.0	0.0	0.0	1.0
Loans from Canada	0.0	0.0	0.0	0.0	0.0
Shareholder's Equity	10.1	9.8	9.2	8.4	(0.1)
Operations					
Revenues	15.2	14.8	18.7	16.7	18.8
Net Income	(21.7)	(21.5)	(21.0)	(20.0)	(16.8)
Cash Flow	(19.1)	(18.9)	(18.3)	(17.6)	(15.9)
Funding from Canada					
Budgetary (operating & capital expenditures)	24.2	21.5	19.7	24.2	17.7
Non Budgetary (loans and investments)	0.0	0.0	0.0	0.0	0.0
Payments to Canada					
Loan Repayments	0.0	0.0	0.0	0.0	0.0
Dividends	0.0	0.0	0.0	0.0	0.0
Employment	285	281	307	310	313

NATIONAL CAPITAL COMMISSION

Mandate and Background

The National Capital Commission (NCC) prepares, plans for and assists in the development, conservation and improvement of the national capital region.

In addition, the NCC organizes, sponsors and promotes public activities or events in the region that enrich the cultural and social fabric of Canada; and coordinates federal policies and programs for public activities and events related to the national capital region.

Corporate Profile

The NCC focusses on providing leadership in the promotion of national pride and unity through the capital and its region; developing innovative programming and messages; and by implementing a responsible business approach to NCC operations.

Corporate Highlights

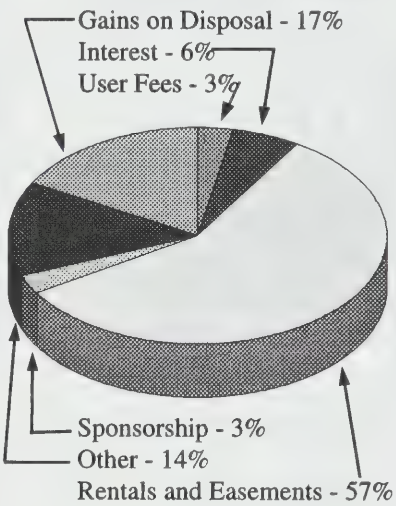
In 1994, the NCC reviewed its operational resources, services and all operations. As a result, changes will be implemented that create a much different and smaller organization. Holdings that are not central to NCC's essential mission will be divested, services that can be obtained more cost effectively from the private sector will be contracted out, initially through employee take-over corporations, and technology and information management techniques will be applied to reduce operating costs.

The NCC has restructured operations to correspond with four business lines: planning the National Capital Region; promoting and animating the National Capital Region; real estate management and development; and corporate services. By 1999, once these changes are fully implemented, NCC is expected to be half its current size.

Operating revenues are earned by charging user fees at events or sites; gains on disposal of assets; rental and easements income on property, obtaining private sector sponsorship for events; interest income and other sources. Revenues increased to $24 million. Government appropriations increased to $102.1 million from $89.5 million in 1993-94. Of the total increase in appropriations, $9.7 million funded a one- time settlement of past liabilities with respect to the Quebec Road Agreement, as well as increased municipal taxes. Appropriations are expected to decrease to $71 million by 1998.

The NCC also generates revenue from real property disposals which is credited to a dedicated Acquisition and Disposal Fund.

Sources of Revenue



Source: National Capital Commission Annual Report 1994-95.

NATIONAL CAPITAL COMMISSION

Chairman	Marcel Beaudry
Executive Vice-President and General Manager	John D.V. Hoyles
Head Office	202-40 Elgin Street Ottawa, Ontario, K1P 1C7 (613) 239-5555 Facsimile: (613) 239-5039
Incorporation and Status	1958; by the *National Capital Act* (R.S.C. 1985, c. N-4); Amended in 1988 (S.C. 1988, c. 54); Schedule III, Part I of the *Financial Administration Act*; An agent of Her Majesty.
Appropriate Minister	The Honourable Michel Dupuy, P.C., M.P., Minister of Canadian Heritage
Auditor	Auditor General of Canada

Financial Summary ($ million) Financial year ending March 31.

	1994-95	1993-94	1992-93	1991-92	1990-91
Financial Position					
Total Assets	377.7	369.9	362.5	365.9	350.9
Loans from Private Sector	0.0	0.0	0.0	0.0	0.0
Loans from Canada	0.0	0.0	0.0	0.0	0.0
Shareholder's Equity	327.9	330.0	330.2	336.3	317.4
Operations					
Revenues	24.0	21.6	24.0	41.0	40.1
Net Income	(17.5)	(12.8)	(12.7)	8.2	6.6
Cash Flow	(7.6)	(3.1)	(4.0)	(0.1)	(2.4)
Funding from Canada					
Budgetary (operating & capital expenditures)	102.1	89.5	89.7	89.9	90.1
Non Budgetary (loans and investments)	0.0	0.0	0.0	0.0	0.0
Payments to Canada					
Loan Repayments	0.0	0.0	0.0	0.0	0.0
Dividends	0.0	0.0	0.0	0.0	0.0
Employment	740	802	727	765	750

NATIONAL GALLERY OF CANADA

Mandate and Background

Under the *Museums Act*, the National Gallery of Canada's mandate is to develop, maintain and make known, throughout Canada and internationally, a collection of works of art, both historic and contemporary, with special but not exclusive, reference to Canada, and to further the knowledge, understanding, and enjoyment of art in general among all Canadians.

Corporate Profile

The Gallery carries out its mandate through four broad activity areas: adding to and preserving the collections of works of art; educating and communicating; housing and protecting the collections, visitors and staff; and managing the staff and resources of the Gallery.

The National Gallery also operates the Canadian Museum of Contemporary Photography.

Corporate Highlights

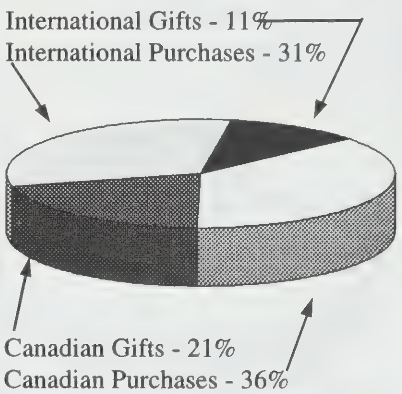
Gallery attendance increased by 25 percent and revenues increased by 32 percent. Much of these increases are attributed to the exhibition *Egyptomania*.

With recent budget cuts of $4.8 million, or 20 percent over three years, the Gallery will eliminate 15 positions in 1995 and five exhibitions will be affected either by being downscaled, cancelled or moved forward. In future years, fewer exhibits and events will be planned and programming in support of exhibitions will be reduced.

Acquisitions will remain at the same level. In 1994-95, the value of Canadian acquisitions, by purchase and by gift, were about $1.6 million, the figures for non-Canadian works totalled approximately $1.2 million.

The Gallery expects to release a catalogue of all Canadian works in its collection on CD-ROM by the end of 1995.

Value of Aquisitions in 1994-95



Source: National Gallery of Canada Annual Report 1994-1995.

NATIONAL GALLERY OF CANADA

Chairman	Jean-Claude Delorme
Chief Executive Officer	Shirley L. Thomson
Head Office	380 Sussex Drive P.O. Box 427, Station "A" Ottawa, Ontario, K1N 9N4 (613) 990-1985 Facsimile: (613) 990-9810
Incorporation and Status	July 1, 1990; by the *Museums Act* (S.C. 1990, c. 3); Schedule III, Part I of the *Financial Administration Act*; An agent of Her Majesty.
Appropriate Minister	The Honourable Michel Dupuy, P.C., M.P., Minister of Canadian Heritage
Auditor	Auditor General of Canada

Financial Summary ($ million) Financial year ending March 31.

	1994-95	1993-94	1992-93	1991-92	1990-91
Financial Position					
Total Assets	19.0	17.4	18.4	20.7	23.4
Loans from Private Sector	0.0	0.0	0.0	0.0	0.0
Loans from Canada	0.0	0.0	0.0	0.0	0.0
Shareholder's Equity	7.9	8.5	9.4	9.9	9.8
Operations					
Revenues	4.3	3.2	2.8	2.8	2.6
Net Income	(34.4)	(29.6)	(29.8)	(31.3)	(20.7)
Cash Flow	(32.7)	(27.9)	(27.7)	(29.0)	(19.1)
Funding from Canada					
Budgetary (operating & capital expenditures)	34.4	28.7	29.3	31.4	23.2
Non Budgetary (loans and investments)	0.0	0.0	0.0	0.0	0.0
Payments to Canada					
Loan Repayments	0.0	0.0	0.0	0.0	0.0
Dividends	0.0	0.0	0.0	0.0	0.0
Employment	285	284	286	213	258

NATIONAL MUSEUM OF SCIENCE AND TECHNOLOGY

Mandate and Background

Under the *Museums Act*, the National Museum of Science and Technology (NMST) fosters scientific and technological literacy throughout Canada by establishing, maintaining and developing a collection of scientific and technological objects, with special, but not exclusive, reference to Canada, and by demonstrating the products and processes of science and technology and their economic, social and cultural relationships with society.

The National Museum of Science and Technology was founded in 1967.

Corporate Profile

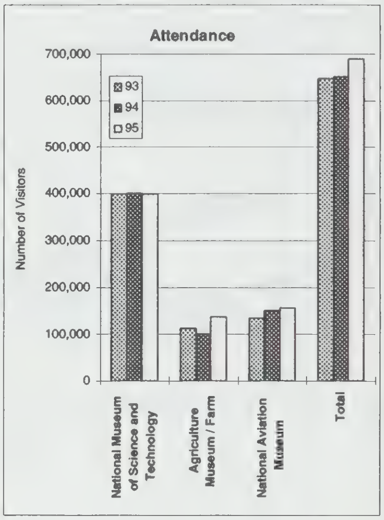
The Museum preserves Canada's science and technological heritage and disseminates knowledge of that heritage. The Corporation manages its two major institutions - the National Museum of Science and Technology and the National Aviation Museums as separate entities. As well, the Museum manages the Agriculture Museum at Ottawa's Central Experimental Farm.

Corporate Highlights

Since 1990-91 the Museum's operating budget has been reduced by $ 2.4 million which has affected all activities to some extent, both museum programs and supporting activities. To compensate, the Museum has increased its efforts and generated increased revenue through admission fees, the sale of products and services, sponsorship and donations as well as by soliciting for volunteers and members.

The Museum achieved increased attendance for the third consecutive year, this year by 5.7 percent.

The Museum's overall appropriation increase in 1994-95 due to an increase in the facilities budget resulting from the transfer of responsibility for accommodations. This responsibility was transferred from Public Works and Government Services Canada to the Museum in April, 1994, allowing the Museum to implement the first phase of an accommodation strategy that consolidates operations into eight buildings from eleven.



Source: National Museum of Science and Technology Annual Report 1994-95.

NATIONAL MUSEUM OF SCIENCE AND TECHNOLOGY

Chairperson	David M. Culver
Director	Geneviève Sainte-Marie
Head Office	2380 Lancaster Road P.O. Box 9724, Station T Ottawa, Ontario, K1G 5A3 (613) 991-3044 Facsimile: (613) 990-3636
Incorporation and Status	1990, by the *Museums Act* (S.C. 1990, c. 3); Schedule III, Part I of the *Financial Administration Act*; An agent of Her Majesty.
Appropriate Minister	The Honourable Michel Dupuy, P.C., M.P., Minister of Canadian Heritage
Auditor	Auditor General of Canada

Financial Summary ($ million) Financial year ending March 31.

	1994-95	1993-94	1992-93	1991-92	1990-91
Financial Position					
Total Assets	9.7	9.3	9.4	10.1	11.1
Loans from Private Sector	0.0	0.0	0.0	0.0	0.0
Loans from Canada	0.0	0.0	0.0	0.0	0.0
Shareholder's Equity	5.3	6.1	5.4	5.5	5.0
Operations					
Revenues	3.0	2.2	1.6	1.0	0.6
Net Income	(21.7)	(15.5)	(16.2)	(16.6)	(11.5)
Cash Flow	(20.6)	(14.6)	(15.0)	(15.5)	(10.7)
Funding from Canada					
Budgetary (operating & capital expenditures)	20.9	16.2	16.1	17.1	14.8
Non Budgetary (loans and investments)	0.0	0.0	0.0	0.0	0.0
Payments to Canada					
Loan Repayments	0.0	0.0	0.0	0.0	0.0
Dividends	0.0	0.0	0.0	0.0	0.0
Employment	225	218	227	184	186

OLD PORT OF MONTREAL CORPORATION INC.

Mandate and Background

The Old Port of Montreal Inc. promotes the development of the lands of the Old Port of Montreal and develops, administers, manages and maintains Crown property in that location.

The Corporation is a wholly-owned subsidiary of the Canada Lands Company, but has been directed to report as a parent Crown corporation.

Corporate Profile

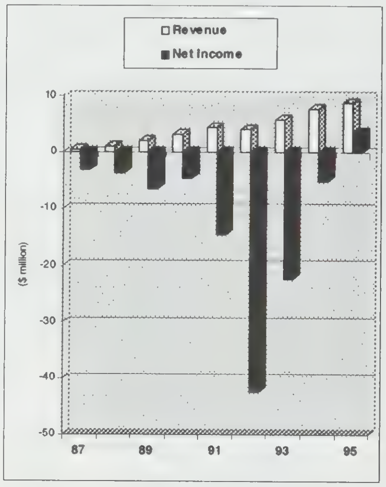
The Corporation, in consultation with the public and other levels of government, plans for the development of the Old Port site. The development of the Eastern and Western sectors was completed in 1992. In order to finish the development of the Central Sector, the Old Port of Montreal Corporation Inc. is seeking new partnerships with the private sector. Some of the activities organized and housed by the Corporation include the Imax Theatre, the Just for Laughs comedy festival, the Cirque du Soleil, and a number of cultural and recreational initiatives with a maritime theme presented by the private sector.

The Old Port is an important component of the regional tourism industry. Some four million people visited the site throughout the year, making it one of Montreal's most important recreational and tourism sites.

Corporate Highlights

The Corporation's objective is to become financially independent by 1997-98. To meet that objective, a Maison des sciences et des technologies is being planned, which is anticipated to revitalize the Centre Sector of the Old Port and to attract year round visitors. As well, the Corporation is focusing on improving programming, future development, and tightening fiscal control.

In 1994-95 the Corporation's target for increasing revenues by 11.6 percent was surpassed and reached 13.7 percent and the rate of self-financing rose by 5 percent to the 80 percent level although the Corporation's financial forecasts of reducing government funding by 36 percent were not met.



Source: Old Port of Montreal 1994-95 Annual Report.

OLD PORT OF MONTREAL CORPORATION INC.

Chairperson	Bernard Lamarre
Vice-President and General Manager	Pierre Émond
Head Office	333 rue de la Commune West Montreal, Quebec, H2Y 2E2 (514) 283-5256 Facsimile: (514) 283-8423
Incorporation and Status	1981; under the *Canada Business Corporations Act*. A wholly-owned subsidiary of Canada Lands Company Limited; directed by Order in Council (PC 1987-86) to report as if it were a parent Crown corporation; An agent of Her Majesty.
Appropriate Minister	The Honourable David Dingwall, P.C., M.P., Minister of Public Works and Government Services and Minister for the Atlantic Canada Opportunities Agency
Auditor	Auditor General of Canada

Financial Summary ($ million) Financial year ending March 31.

	1994-95	1993-94	1992-93	1991-92	1990-91
Financial Position					
Total Assets	2.0	4.0	8.0	16.5	6.1
Loans from Private Sector	0.0	0.0	0.0	0.0	0.0
Loans from Canada	0.0	0.0	0.0	0.0	0.0
Shareholder's Equity	0.0	0.0	0.0	0.0	0.0
Operations					
Revenues	8.9	7.8	5.9	4.1	4.5
Net Income	3.6	(5.0)	(22.3)	(42.5)	(14.5)
Cash Flow	(2.3)	(3.2)	(3.8)	(3.9)	(3.6)
Funding from Canada					
Budgetary (operating & capital expenditures)	3.0	9.7	21.5	40.5	13.6
Non Budgetary (loans and investments)	0.0	0.0	0.0	0.0	0.0
Payments to Canada					
Loan Repayments	0.0	0.0	0.0	0.0	0.0
Dividends	0.0	0.0	0.0	0.0	0.0
Employment	69	67	74	64	49

PACIFIC PILOTAGE AUTHORITY

Mandate and Background

The Pacific Pilotage Authority operates, maintains and administers, a safe and efficient pilotage service within designated waters in and around British Columbia.

Corporate Profile

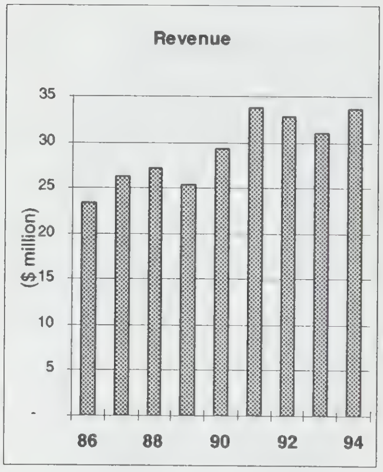
The Authority provides pilotage services to the British Columbia region. With the approval of the Governor in Council, it has the power to make regulations in order to meet its objectives. These regulations may prescribe the establishment of compulsory pilotage areas; the ship or classes of ships which are subject to compulsory pilotage; the circumstances under which compulsory pilotage may be waived; the tariffs or pilotage charges; and the classes of licences and classes of pilotage certificates that may be issued. The Authority is required to set fair and reasonable tariffs that ensure self-sustaining operations.

Corporate Highlights

The Authority achieved a 9.1 percent increase in assignments despite being affected by a work stoppage by the International Longshoremen's and Warehousemen's Union in March 1995. The Authority implemented a 5.5 percent tariff increase and plans another increase for next year.

The Minister of Transport is considering a fundamental overhaul of the marine sector which encompasses the ports, pilotage, the St. Lawrence Seaway, ferry operations and the Coast Guard. Apart from the Coast Guard, the marine sector is dominated by Crown corporations: the 15 Ports Canada ports, comprising 50 percent of Canadian port activity; the four pilotage authorities; the St. Lawrence Seaway Authority and Marine Atlantic Inc. The government's objective is to rationalize operations, commercialize activities, reduce subsidies and restructure the corporate form.

If a new marine policy is put in place, it will have a significant effect on the Pacific Pilotage Authority.



Source: 1994 Pacific Pilotage Authority Annual Report.

PACIFIC PILOTAGE AUTHORITY

Chairman	Dennis B. McLennan
Head Office	Suite 300 1199 West Hastings Street Vancouver, British Columbia, V6E 4G9 (604) 666-6771 Facsimile: (604) 666-1647
Incorporation and Status	1972; pursuant to the *Pilotage Act* (R.S.C. 1985, c. P-14); Schedule III, Part I of the *Financial Administration Act*; Not an agent of Her Majesty.
Appropriate Minister	The Honourable Douglas Young, P.C., M.P., Minister of Transport
Auditor	Auditor General of Canada

Financial Summary ($ million) Financial year ending December 31.

	1994	1993	1992	1991	1990
Financial Position					
Total Assets	6.4	7.9	8.0	6.9	4.0
Loans from Private Sector	0.0	0.0	0.0	0.0	0.0
Loans from Canada	0.0	0.0	0.0	0.0	0.0
Shareholder's Equity	3.3	4.9	4.8	3.1	1.8
Operations					
Revenues	33.7	31.0	32.8	33.8	29.3
Net Income	(1.6)	0.1	1.7	1.3	(0.4)
Cash Flow	(1.4)	0.3	1.9	1.4	(0.3)
Funding from Canada					
Budgetary (operating & capital expenditures)	0.0	0.0	0.0	0.0	0.0
Non Budgetary (loans and investments)	0.0	0.0	0.0	0.0	0.0
Payments to Canada					
Loan Repayments	0.0	0.0	0.0	0.0	0.0
Dividends	0.0	0.0	0.0	0.0	0.0
Employment	168	171	173	168	171

PETRO-CANADA LIMITED

Mandate and Background

Petro-Canada Limited was the parent Crown corporation of Petro-Canada which was privatized in July 1991. It continues in existence to settle the outstanding debt from when Petro-Canada operated.

Corporate Profile

It holds a portfolio of high quality securities whose principal and interest payments match or closely match the Corporation's obligations on the outstanding bonds.

Corporate Highlights

In 1994 revenue from the investment portfolio exceeded Petro-Canada Limited's interest expense on outstanding bonds resulting in a net profit of $1 million.

PETRO-CANADA LIMITED

Chairman	Bob Hamilton
President	Joy F. Kane
Head Office	c/o Department of Finance L'Esplanade Laurier 140 O'Connor Street Ottawa, Ontario, K1A 0G5
Incorporation and Status	1975; by the *Petro-Canada Act* (R.S.C. 1985: c. P-11); continued as Petro-Canada Limited on February 1, 1991, under the *Petro-Canada Public Participation Act*; Schedule III, Part II of the *Financial Administration Act*; An agent of Her Majesty.
Appropriate Minister	The Honourable Paul Martin, P.C., M.P., Minister of Finance and Minister responsible for the Federal Office of Regional Development-Quebec
Auditor	Arthur Andersen & Co. and the Auditor General of Canada

Financial Summary ($ million) Financial year ending December 31.

	1994	1993	1992	1991	1990
Financial Position					
Total Assets	554.0	526.0	519.0	989.0	2,128.0
Loans from Private Sector	505.0	479.0	460.0	952.0	2,097.0
Loans from Canada	0.0	0.0	0.0	0.0	0.0
Shareholder's Equity	1.0	0.0	7.0	4.0	0.0
Operations					
Revenues	45.0	42.0	146.0	160.0	236.0
Net Income	1.0	1.0	3.0	4.0	148.0
Cash Flow	1.0	1.0	3.0	4.0	11.0
Funding from Canada					
Budgetary (operating & capital expenditures)	0.0	0.0	0.0	0.0	0.0
Non Budgetary (loans and investments)	0.0	0.0	0.0	0.0	0.0
Payments to Canada					
Loan Repayments	0.0	0.0	0.0	0.0	0.0
Dividends	0.0	8.0	0.0	0.0	35.0
Employment	0	0	0	0	0

PORT OF QUEBEC CORPORATION

Mandate and Background

The Port of Quebec Corporation administers, manages and controls the Quebec Harbour and works and property within the harbour.

Corporate Profile

The Corporation is an autonomous local port corporation that provides in a cost effective and equitable manner, services for Canada's international shipping trade in the Quebec Harbour. Port of Quebec is the oldest port in the North American market.

Corporate Highlights

The Corporation's total traffic increased, despite a decline in grain traffic attributed to grain re-routed to Asian markets, financial problems in Russia and a delay in the implementation of the GATT. As well, competition has increased from regional ports located on the St. Lawrence.

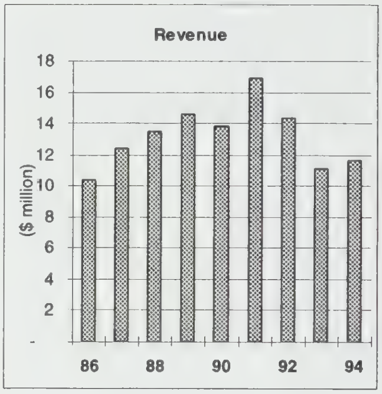
The Corporation has rationalized spending, and has reduced labour costs 30 percent and controllable expenses 40 percent from 1991 to 1995. During the year, revenue increased by 4 percent and the net loss decreased.

Operational revenues increased by 4 percent in 1994, reaching $11.5 million, while operational spending decreased by 7 percent, reaching $13.1 million. The operational deficit was cut in half, dropping from $3 million in 1993 to $1.7 million in 1994, while capital from operations went from $0.4 million to $1.2 million.

No major investment was undertaken in 1994. Investment expenditures were limited to some maintenance work on port infrastructures.

The Minister of Transport is considering a fundamental overhaul of the marine sector which encompasses the ports, pilotage, the St. Lawrence Seaway, ferry operations and the Coast Guard. Apart from the Coast Guard, the marine sector is dominated by Crown corporations: the 15 Ports Canada ports, comprising 50 percent of Canadian port activity; the four pilotage authorities; the St. Lawrence Seaway Authority and Marine Atlantic Inc. The government's objective is to rationalize operations, commercialize activities, reduce subsidies and restructure the corporate form.

If a new marine policy is put in place, it will have a signficant effect on Port of Quebec Corporation.



Source: Port of Quebec Corporation Annual report 1994.

PORT OF QUEBEC CORPORATION

Chairman	René Paquet
President and Chief Executive Officer	Ross Gaudreault
Head Office	150 Dalhousie Street P.O. Box 2268 Quebec, Quebec, G1K 7P7 (418) 648-3558 Facsimile: (418) 648-4160
Incorporation and Status	1984; letters patent of incorporation pursuant to subsection 25(1) of the *Canada Ports Corporation Act* (R.S.C. 1985, c. C-9); Schedule III, Part II of the *Financial Administration Act*; An agent of Her Majesty.
Appropriate Minister	The Honourable Douglas Young, P.C., M.P., Minister of Transport
Auditor	KPMG Peat Marwick Thorne

Financial Summary ($ million) Financial year ending December 31.

	1994	1993	1992	1991	1990
Financial Position					
Total Assets	61.8	64.1	64.8	62.4	67.8
Loans from Private Sector	0.0	0.0	0.0	0.0	0.0
Loans from Canada	0.0	0.0	0.0	0.0	0.0
Shareholder's Equity	52.3	54.3	57.1	58.1	56.6
Operations					
Revenues	11.7	11.1	14.4	16.9	13.8
Net Income	(2.0)	(2.9)	1.0	1.5	0.1
Cash Flow	1.2	0.4	2.0	4.6	2.2
Funding from Canada					
Budgetary (operating & capital expenditures)	0.0	0.0	0.0	0.0	0.0
Non Budgetary (loans and investments)	0.0	0.0	0.0	0.0	0.0
Payments to Canada					
Loan Repayments	0.0	0.0	0.0	0.0	0.0
Dividends	0.0	0.0	0.0	0.0	11.4
Employment	88	88	96	94	105

PRINCE RUPERT PORT CORPORATION

Mandate and Background

The Prince Rupert Port Corporation administers, manages and controls the Prince Rupert Harbour and works and property within the harbour.

Corporate Profile

The Corporation is an autonomous local port corporation that provides, in a cost effective and equitable manner, services for Canada's international shipping trade in the Prince Rupert harbour. In 1994, the Port celebrated its tenth anniversary as a local port corporation.

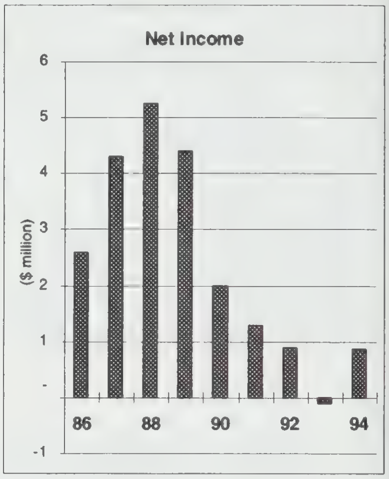
Corporate Highlights

The Corporation's vision is to broaden and diversify facilities and cargo, and fully utilize existing facilities. To realize its vision the Corporation has been marketing its liquid bulk terminal and Alaskan cruise ship activity, as well as constructing new facilities.

The Corporation handled an increasing volume of traffic; however, revenue decreased because of a decline in lumber traffic. The Corporation succeeded in increasing net income by closely watching operating expenses.

The Minister of Transport is considering a fundamental overhaul of the marine sector which encompasses the ports, pilotage, the St. Lawrence Seaway, ferry operations and the Coast Guard. Apart from the Coast Guard, the marine sector is dominated by Crown corporations: the 15 Ports Canada ports, comprising 50 percent of Canadian port activity; the four pilotage authorities; the St. Lawrence Seaway Authority and Marine Atlantic Inc. The government's objective is to rationalize operations, commercialize activities, reduce subsidies and restructure the corporate form.

If a new marine policy is put in place, it will have a significant effect on the Prince Rupert Port Corporation.



Source: Prince Rupert Port Corporation 1994 Annual Report.

PRINCE RUPERT PORT CORPORATION

Chairman	Peter J. Lester
President and Chief Executive Officer	Donald H. Krusel
Head Office	10 Third Avenue West Prince Rupert, British Columbia, V8J 1K8 (604) 627-7545 Facsimile: (604) 627-7101
Incorporation and Status	1984; letters patent of incorporation pursuant to subsection 25(1) of the *Canada Ports Corporation Act* (R.S.C. 1985, c. C-9); Schedule III, Part II of the *Financial Administration Act*; An agent of Her Majesty.
Appropriate Minister	The Honourable Douglas Young, P.C., M.P., Minister of Transport
Auditor	KPMG Peat Marwick Thorne

Financial Summary ($ million) Financial year ending December 31.

	1994	1993	1992	1991	1990
Financial Position					
Total Assets	111.6	111.7	111.5	114.4	112.0
Loans from Private Sector	0.0	0.0	0.0	0.0	0.0
Loans from Canada	15.8	16.2	16.5	68.7	67.7
Shareholder's Equity	94.4	93.5	93.6	44.5	43.5
Operations					
Revenues	13.2	13.5	14.3	15.4	15.2
Net Income	0.9	(0.1)	0.9	1.3	2.0
Cash Flow	3.3	2.3	3.4	3.7	3.9
Funding from Canada					
Budgetary (operating & capital expenditures)	0.0	0.0	0.0	0.0	0.0
Non Budgetary (loans and investments)	0.0	0.0	48.3	0.0	12.8
Payments to Canada					
Loan Repayments	0.4	0.4	53.2	0.3	0.1
Dividends	0.0	0.0	0.1	0.2	1.0
Employment	17	17	16	19	17

QUEENS QUAY WEST LAND CORPORATION

Mandate and Background

Queens Quay West Land Corporation operates, manages, maintains and develops the Harbourfront site in Toronto. Since the last fiscal year, the Corporation's mandate has been to ensure the disposition of remaining assets in an orderly fashion and to fulfil all its obligations with a view to dissolving the Corporation by January 31, 1996 (extended from June 30, 1995).

Corporate Profile

Queens Quay West Land Corporation has been pursuing an orderly transition of its affairs and is set to transfer its remaining assets, liabilities, obligations and operations to Canada Lands Company Limited.

Corporate Highlights

The Corporation relocated the final contemplated Harbourfront development from the waterfront in exchange for commercial and residential developments located elsewhere on the Harbourfront site. Several waterfront sites have been conveyed to the City of Toronto as parkland or for public use space.

The Corporation has also provided operating contributions to the Harbourfront Centre, the Harbourfront cultural entity, as directed by the federal government.

The Corporation is expected to be dissolved by January 31, 1996 at which time the remaining assets and liabilities will be transferred to Canada Lands Company Limited.

QUEENS QUAY WEST LAND CORPORATION

Chairman and President	Vacant
Head Office	Scotia Plaza, Suite 2703 P.O. Box 320, 40 King Street West Toronto, Ontario, M5H 3Y2 (416) 864-0333 Facsimile: (416) 864-0289
Incorporation and Status	1936; as Terminal Warehouses Ltd. under the *Ontario Companies Act*; July 14, 1978, as Harbourfront Corporation, under the *Business Corporations Act of Ontario*; continued under the *Canada Business Corporations Act*, December 21, 1984; Schedule III, Part I of the *Financial Administration Act*; Not an agent of Her Majesty.
Appropriate Minister	The Honourable David Dingwall, P.C., M.P., Minister of Public Works and Government Services and Minister for the Atlantic Canada Opportunities Agency
Auditor	KPMG Peat Marwick Thorne and the Auditor General of Canada

Financial Summary ($ million) Financial year ending March 31.

	1994-95	1993-94	1992-93	1991-92	1990-91
Financial Position					
Total Assets	8.5	23.5	23.6	24.0	20.8
Loans from Private Sector	0.0	0.0	0.0	0.0	0.0
Loans from Canada	45.8	45.8	25.1	14.7	2.2
Shareholder's Equity	(39.9)	(26.0)	(8.5)	5.9	15.1
Operations					
Revenues	3.6	3.8	4.4	6.1	7.9
Net Income	(14.9)	(8.2)	(2.3)	1.4	(7.7)
Cash Flow	(14.9)	(8.2)	(2.3)	1.5	0.9
Funding from Canada					
Budgetary (operating & capital expenditures)	9.8	0.0	0.0	0.0	3.6
Non Budgetary (loans and investments)	0.0	20.7	10.4	12.5	2.2
Payments to Canada					
Loan Repayments	0.0	0.0	0.0	0.0	0.0
Dividends	0.0	0.0	0.0	0.0	0.0
Employment	6	5	6	6	6

ROYAL CANADIAN MINT

Mandate and Background

The Royal Canadian Mint mints coins in anticipation of profit and carries out other related activities.

Founded in 1908 as a branch of the Mint of the United Kingdom, its operations were devolved to the Crown in right of Canada in 1931. Initially a departmental agency of the government, it was incorporated by legislation in 1969. In 1989, a share capital structure was created for the Mint and shares were issued to Canada.

Corporate Profile

The Mint is responsible for minting the nation's circulation coins and also offers a wide range of specialized, high quality coinage products and related services on an international scale.

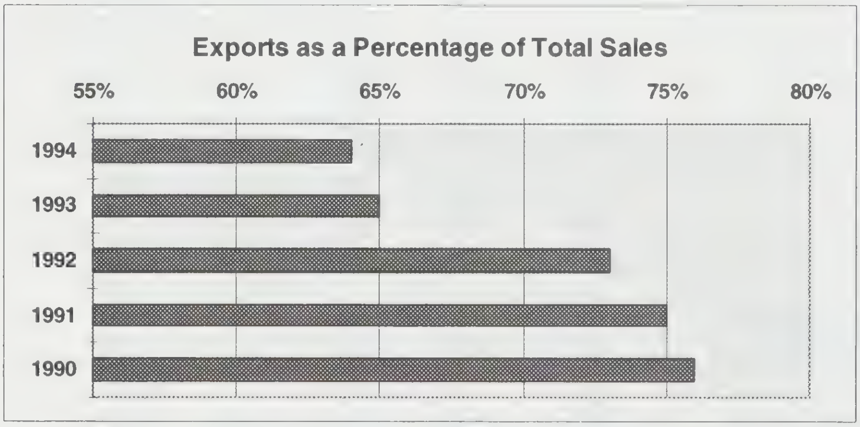
Two minting plants are in operation, the Winnipeg plant concentrates on the high volume production of Canadian and foreign circulation coins, tokens and trade dollars while the Ottawa plant mints Canadian and foreign numismatic coins, medals and precious medal coins. The Ottawa refinery handles a major portion of Canada's gold production.

Corporate Highlights

A reduced volume of export business, as shown in the Exhibit, and a reduction in gross margins resulted in the Mint's first operating loss; projections had anticipated income of $9.8 million; however, a $3.4 million loss was incurred. Contributing to the loss was a $2.5 million write off of obsolete products and materials. Despite its operating loss the Mint paid a dividend of $5 million to its shareholder, the Government of Canada.

A comprehensive review of the Canadian circulation coin system was conducted in conjunction with the Bank of Canada and the Department of Finance with the objective of identifying requirements for the future as well as opportunities for achieving cost savings. Findings have been presented to the government and, if approved, will be implemented in 1996.

Cost reduction and control has been identified as a priority. Efforts to lower operating costs and increase efficiencies are continuing, for example, the introduction of more efficient systems and equipment to improve productivity. The Mint intends to develop new markets in the future by building and strengthening the marketing and sales team and by developing new and relevant products.



Source: The Royal Canadian Mint 1994 Annual Report.

ROYAL CANADIAN MINT

Chairman	Vacant
President	Danielle V. Wetherup
Head Office	320 Sussex Drive Ottawa, Ontario, K1A 0G8 (613) 993-3500 Facsimile: (613) 952-8342
Incorporation and Status	1969; by the *Royal Canadian Mint Act* (R.S.C. 1985, c. R-9); Schedule III, Part II of the *Financial Administration Act*; An agent of Her Majesty.
Appropriate Minister	The Honourable David Dingwall, P.C., M.P., Minister of Public Works and Government Services and Minister for the Atlantic Canada Opportunities Agency
Auditor	Auditor General of Canada

Financial Summary ($ million) Financial year ending December 31.

	1994	1993	1992	1991	1990
Financial Position					
Total Assets	82.5	92.8	102.7	99.8	107.8
Loans from Private Sector	0.0	0.0	0.0	0.0	0.0
Loans from Canada	2.8	5.5	8.2	10.9	13.5
Shareholder's Equity	60.6	69.1	68.3	60.0	65.0
Operations					
Revenues	310.3	356.8	378.0	298.2	606.2
Net Income	(3.5)	7.1	9.0	1.3	10.4
Cash Flow	(0.6)	9.9	12.0	4.4	13.2
Funding from Canada					
Budgetary (operating & capital expenditures)	0.0	0.0	0.0	0.0	0.0
Non Budgetary (loans and investments)	0.0	0.0	0.0	0.0	0.0
Payments to Canada					
Loan Repayments	2.7	2.7	2.7	2.7	2.7
Dividends	5.0	6.3	0.7	6.3	2.3
Employment	563	610	763	667	737

SAINT JOHN PORT CORPORATION

Mandate and Background

The Saint John Port Corporation administers, manages and controls the Saint John harbour and works and property within the harbour.

Corporate Profile

The Corporation is an autonomous local port corporation that provides, in a cost effective and equitable manner, services for Canada's international shipping trade in the Saint John harbour.

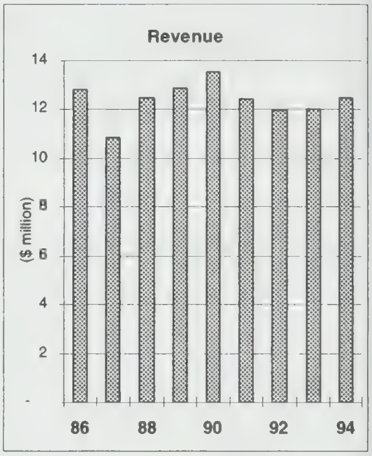
Corporate Highlights

The Corporation achieved an 8 percent increase in total traffic including a significant increase in cruise ship traffic. Revenue increased by 5 percent, while operating expenses decreased by 10 percent. However, a significant loss was incurred due to a reduction in the carrying value of fixed assets of $20.6 million. At the end of 1994, the value of fixed assets is shown at $60.2 million.

During 1994, the Corporation completed major maintenance projects as part of its multi-year Facilities Redevelopment Program.

The Minister of Transport is considering a fundamental overhaul of the marine sector which encompasses the ports, pilotage, the St. Lawrence Seaway, ferry operations and the Coast Guard. Apart from the Coast Guard, the marine sector is dominated by Crown corporations: the 15 Ports Canada ports, comprising 50 percent of Canadian port activity; the four pilotage authorities; the St. Lawrence Seaway Authority and Marine Atlantic Inc. The government's objective is to rationalize operations, commercialize activities, reduce subsidies and restructure the corporate form.

If a new marine policy is put in place, it will have a significant effect on the Saint John Port Corporation.



Source: 1994 Saint John Port Corporation Annual Report.

SAINT JOHN PORT CORPORATION

Chairman	Peter S. Glennie
General Manager and Chief Executive Officer	Kenneth Krauter
Head Office	133 Prince William Street P.O. Box 6429, Station A Saint John, New Brunswick, E2L 4R8 (506) 636-4869 Facsimile: (506) 636-4443
Incorporation and Status	1986; letters patent pursuant to subsection 25(1) of the *Canada Ports Corporation Act* (R.S.C. 1985, c. C-9); Schedule III, Part II of the *Financial Administration Act*; An agent of Her Majesty.
Appropriate Minister	The Honourable Douglas Young, P.C., M.P., Minister of Transport
Auditor	Ernst & Young

Financial Summary ($ million) Financial year ending December 31.

	1994	1993	1992	1991	1990
Financial Position					
Total Assets	64.1	84.5	88.5	89.2	92.1
Loans from Private Sector	19.7	19.7	19.7	19.7	19.7
Loans from Canada	18.1	18.1	20.1	20.8	23.8
Shareholder's Equity	23.9	44.2	45.9	45.8	45.7
Operations					
Revenues	12.5	12.1	12.0	12.4	13.6
Net Income	(20.4)	(1.7)	0.2	0.1	0.3
Cash Flow	1.8	1.3	3.0	3.0	3.6
Funding from Canada					
Budgetary (operating & capital expenditures)	0.0	0.0	0.5	0.5	0.0
Non Budgetary (loans and investments)	0.0	0.0	0.0	0.0	0.0
Payments to Canada					
Loan Repayments	0.0	2.0	0.0	0.0	0.0
Dividends	0.0	0.0	0.0	0.0	4.9
Employment	36	36	48	55	58

ST. JOHN'S PORT CORPORATION

Mandate and Background

The St. John's Port Corporation administers, manages and controls the St. John's harbour and works and property within the harbour.

Corporate Profile

The Corporation is an autonomous local port corporation that provides, in a cost effective and equitable manner, services for Canada's international shipping trade in the St. John's harbour.

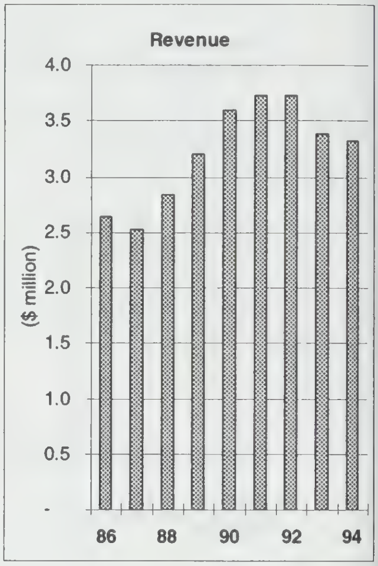
Corporate Highlights

The Corporation handled an increase of 7.5 percent in cargo, yet revenues and net income decreased marginally. The Corporation is actively marketing St. John's as a viable destination for the cruise ship industry. The Corporation is working to decrease the high level of municipal taxation that continued in 1994.

For the fourth consecutive year the Corporation held all port tariffs at a constant level.

The Minister of Transport is considering a fundamental overhaul of the marine sector which encompasses the ports, pilotage, the St. Lawrence Seaway, ferry operations and the Coast Guard. Apart from the Coast Guard, the marine sector is dominated by Crown corporations: the 15 Ports Canada ports, comprising 50 percent of Canadian port activity; the four pilotage authorities; the St. Lawrence Seaway Authority and Marine Atlantic Inc. The government's objective is to rationalize operations, commercialize activities, reduce subsidies and restructure the corporate form.

If a new marine policy is put in place, it will have a significant effect on the St. John's Port Corporation.



Source: St. John's Port Corporation Annual Report 1994.

ST. JOHN'S PORT CORPORATION

Chairman	Melvin Woodward
Port Manager and Chief Executive Officer	David J. Fox
Head Office	3 Water Street P.O. Box 6178 St. John's, Newfoundland, A1C 5X8 (709) 772-4582 Facsimile: (709) 772-4689
Incorporation and Status	1985; letters patent pursuant to subsection 25(1) of the *Canada Ports Corporation Act* (R.S.C. 1985, c. C-9); Schedule III, Part II of the *Financial Administration Act*; An agent of Her Majesty.
Appropriate Minister	The Honourable Douglas Young, P.C., M.P., Minister of Transport
Auditor	Doane Raymond

Financial Summary ($ million) Financial year ending December 31.

	1994	1993	1992	1991	1990
Financial Position					
Total Assets	16.5	16.3	16.9	17.8	17.3
Loans from Private Sector	0.0	0.0	0.0	0.0	0.0
Loans from Canada	0.0	0.0	1.1	2.7	2.9
Shareholder's Equity	15.7	15.4	14.9	14.3	13.5
Operations					
Revenues	3.3	3.4	3.7	3.7	3.6
Net Income	0.4	0.5	0.7	0.8	0.7
Cash Flow	1.3	1.4	1.5	1.7	1.7
Funding from Canada					
Budgetary (operating & capital expenditures)	0.0	0.0	0.0	0.0	1.3
Non Budgetary (loans and investments)	0.0	0.0	0.0	0.0	0.0
Payments to Canada					
Loan Repayments	0.0	1.0	1.6	0.2	0.2
Dividends	0.0	0.0	0.0	0.0	0.0
Employment	13	13	14	17	17

ST. LAWRENCE SEAWAY AUTHORITY, THE

Mandate and Background

Established in 1954, the St. Lawrence Seaway Authority constructs, operates and maintains canals, bridges, works and other property related to the deep waterway between the Port of Montreal and Lake Erie, known as the St. Lawrence Seaway.

Corporate Profile

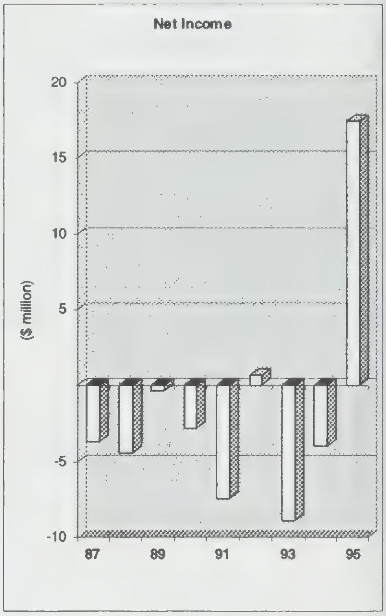
The Authority constructed and operates the Seaway in conjunction with an authority in the United States. It is responsible for 13 locks in Canadian territory and four high-level bridges traversing the St. Lawrence River. Two locks in the United States are operated by the Saint Lawrence Seaway Development Corporation. Tolls may be established by filing with the National Transportation Agency (NTA) or by agreement between Canada and the United States.
A wholly-owned subsidiary, the Seaway International Bridge Corporation, Ltd., established in 1962, manages the international bridge at Cornwall, Ontario. Two bridges in Montreal are managed by a second wholly-owned subsidiary, the Jacques Cartier and Champlain Bridges Incorporated. The Seaway Authority also administers the Canadian span of the Thousand Islands Bridge at Lansdowne, Ontario. A third wholly-owned subsidiary, Great Lakes Pilotage Authority, Ltd., has been designated as a parent Crown corporation for the purposes of the *Financial Administration Act.*

Corporate Highlights

A 22 percent increase in traffic and reduced administrative costs contributed to a profit in 1994-95 of $17.4 million.

The Seaway's Incentive Tolls program continued to encourage new business, and the flooding of the Mississippi River in 1993 also diverted traffic to the St. Lawrence route.

The Authority is implementing "Vision 2002", a strategic plan that focusses on three corporate objectives: increasing revenues; reducing costs; and improving customer service. Staff-years will decline from 740 to 600 over the next seven years. The Minister of Transport is considering a new National Marine Policy that may include a commercialization plan for the Seaway. In an effort to improve service the Authority carried out $11.4 million in major maintenance and capital restoration projects.



Source: 1994 St. Lawrence Seaway Authority Annual Report.

ST. LAWRENCE SEAWAY AUTHORITY, THE

President	Glendon R. Stewart
Head Office	Constitution Square 14th Floor, Suite 1400 360 Albert Street Ottawa, Ontario, K1R 7X7 (613) 598-4600 Facsimile: (613) 598-4620
Incorporation and Status	1954; pursuant to section 3 of the *St. Lawrence Seaway Authority Act* (R.S.C. 1985, c. S-2); Schedule III, Part I of the *Financial Administration Act*; An agent of Her Majesty.
Appropriate Minister	The Honourable Douglas Young, P.C., M.P., Minister of Transport
Auditor	Auditor General of Canada

Financial Summary ($ million) Financial year ending March 31.

	1994-95	1993-94	1992-93	1991-92	1990-91
Financial Position					
Total Assets	592.9	577.8	593.1	600.1	593.5
Loans from Private Sector	0.0	0.0	0.0	0.0	0.0
Loans from Canada	0.0	0.0	0.0	0.0	0.0
Shareholder's Equity	570.6	554.1	558.1	567.0	566.3
Operations					
Revenues	90.6	76.4	72.0	73.7	75.2
Net Income	17.4	(4.0)	(8.9)	0.7	(7.4)
Cash Flow	32.3	8.7	3.6	12.3	4.7
Funding from Canada					
Budgetary (operating & capital expenditures)	0.0	0.0	37.4	28.7	27.3
Non Budgetary (loans and investments)	0.0	0.0	0.0	0.0	0.0
Payments to Canada					
Loan Repayments	0.0	0.0	0.0	0.0	0.0
Dividends	0.0	0.0	0.0	0.0	0.0
Employment	731	741	821	862	918

STANDARDS COUNCIL OF CANADA

Mandate and Background

The Standards Council of Canada (SCC) fosters and promotes voluntary standardization in fields relating to the construction, manufacture, production, quality, performance and safety of buildings, structures, manufactured articles and products, and other goods not expressly provided for by law, as a means of advancing the national economy, benefiting the public, protecting consumers and facilitating trade, and furthering international co-operation in relation to standards.

Corporate Profile

The Standards Council coordinates the activities of organizations involved in voluntary standardization in Canada, and represents Canada in the International Organization for Standardization (ISO) and the International Electrotechnical Commission (IEC).

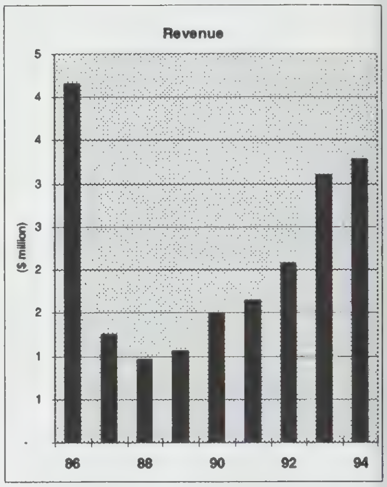
Corporate Highlights

In early 1995, the SCC conducted consultations on its role and mandate with stakeholders across the country. The information obtained from these meetings, and from a questionnaire to 3,000 Canadians, became the basis for recommendations to the Minister of Industry on restructuring the Council and expanding its mandate. While the details of the proposed legislative changes are not yet known, it is expected that the Council membership will be substantially reduced from its current level of 57, and that the Council's new mandate will emphasize regulatory reform, international trade, and technology diffusion and innovation.

The new mandate will likely expand SCC's role in developing mutual recognition agreements (MRAs) for certification and test results that will facilitate trade. Work is already under way on MRAs with the European Community, Mexico and United States organizations.

SCC is currently in the third year of a strategic commitment to increase revenues, reduce costs, speed up processes and increase client satisfaction. One of the Standard Council's priorities is the development, with members of the National Standards System, of a standards information system. This system provides single window access, on the Internet, to standards information, as well as, in the longer term, for interactive standards development work on-line.

The SCC has taken steps to become more efficient and effective, focussing its international standards development resources on those committees with strategic trade, safety, health or environmental interest to Canada.



Source: Standards Council of Canada Annual Report 1994-95

STANDARDS COUNCIL OF CANADA

President	Richard Lafontaine
Executive Director	Michael B. McSweeney
Head Office	Suite 1200 World Exchange Plaza 45 O'Connor Street Ottawa, Ontario, K1P 6N7 (613) 238-3222 Facsimile: (613) 995-4564
Incorporation and Status	1970; by the *Standards Council of Canada Act* (R.S.C. 1985, c. S-16); Schedule III, Part I of the *Financial Administration Act*; Not an agent of Her Majesty.
Appropriate Minister	The Honourable John Manley, P.C., M.P., Minister of Industry
Auditor	Auditor General of Canada

Financial Summary ($ million) Financial year ending March 31.

	1994-95	1993-94	1992-93	1991-92	1990-91
Financial Position					
Total Assets	3.3	2.8	2.6	2.6	2.1
Loans from Private Sector	0.0	0.0	0.0	0.0	0.0
Loans from Canada	0.0	0.0	0.0	0.0	0.0
Shareholder's Equity	1.9	1.6	1.2	1.1	1.0
Operations					
Revenues	4.2	3.3	3.5	2.6	2.1
Net Income	0.4	0.3	0.2	0.1	0.1
Cash Flow	0.5	0.5	0.3	0.2	0.3
Funding from Canada					
Budgetary (operating & capital expenditures)	5.4	5.6	5.8	6.0	6.0
Non Budgetary (loans and investments)	0.0	0.0	0.0	0.0	0.0
Payments to Canada					
Loan Repayments	0.0	0.0	0.0	0.0	0.0
Dividends	0.0	0.0	0.0	0.0	0.0
Employment	68	60	63	65	64

VANCOUVER PORT CORPORATION

Mandate and Background

The Vancouver Port Corporation administers, manages and controls the Vancouver harbour and works and property within the harbour.

Corporate Profile

The Corporation is an autonomous local port corporation that provides, in a cost effective and equitable manner, the services necessary for Canada's international shipping trade in the Vancouver harbour.

Corporate Highlights

The Corporation handled an 11 percent increase in traffic and recorded a 14 percent increase in revenues from cruise ship traffic.

The Corporation, in collaboration with other private interests, began construction on a new initiative - the Deltaport container facility, and is independently redeveloping facilities on the Ballantyne Pier cruise and general cargo facility and extending a berth facility at the Lynnterm terminal.

Terminal expansions include a new woodchip barge loading facility, seismic upgrading and dredging, improved docking facilities, some new storage facilities and improved transfer mechanisms.

To encourage sustainable development and sound environmental practices, the Corporation worked on artificial reefs, continued to administer Environmental Assessment Procedures and completed a Safety Directory via a Port Stakeholders' team.

The Corporation published *Port 2010 Land Use Management Plan*, which outlines the long-term development plans for the port and supplies the necessary policy and process framework.

The Corporation continued to lead the Port of Vancouver Stakeholders' Initiative with a conference that brought together 300 port stakeholders'.

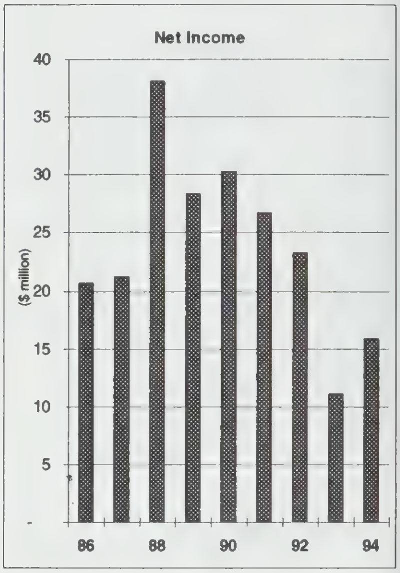
The Corporation joined the Greater Vancouver Gateway Council, a group of stakeholders including employer and employee associations, the B.C. Chamber of Shipping, the Vancouver International Airport, airlines, both national railways, trucking associations and the Fraser River Harbour Commission. The Council will communicate port interests nationally and internationally.

Sister port agreements were signed with the Port of Inchon and the Port of Shanghai.

The Corporation plans to obtain external financing to fund capital projects from 1995 to 1999.

The Minister of Transport is considering a fundamental overhaul of the marine sector which encompasses the ports, pilotage, the St. Lawrence Seaway, ferry operations and the Coast Guard. Apart from the Coast Guard, the marine sector is dominated by Crown corporations: the 15 Ports Canada ports, comprising 50 percent of Canadian port activity; the four pilotage authorities; the St. Lawrence Seaway Authority and Marine Atlantic Inc. The government's objective is to rationalize operations, commercialize activities, reduce subsidies and restructure the corporate form.

If a new marine policy is put in place, it will have a significant effect on the Vancouver Port Corporation.



Source: 1994 Vancouver Port Corporation Annual Report.

VANCOUVER PORT CORPORATION

Chairman	J. Ron Longstaffe
President and Chief Executive Officer	Captain Norman C. Stark
Head Office	1900 Granville Square 200 Granville Street Vancouver, British Columbia, V6C 2P9 (604) 666-8966 Facsimile: (604) 666-8239
Incorporation and Status	1983; letters patent of incorporation pursuant to subsection 25(1) of the *Canada Ports Corporation Act* (R.S.C. 1985, c. C-9); Schedule III, Part II of the *Financial Administration Act*; An agent of Her Majesty.
Appropriate Minister	The Honourable Douglas Young, P.C., M.P., Minister of Transport
Auditor	KPMG Peat Marwick Thorne

Financial Summary ($ million) Financial year ending December 31.

	1994	1993	1992	1991	1990
Financial Position					
Total Assets	382.9	366.9	328.4	317.1	307.9
Loans from Private Sector	0.0	0.0	0.0	0.0	0.0
Loans from Canada	2.4	2.7	3.0	3.3	3.5
Shareholder's Equity	357.1	344.2	307.8	292.2	274.2
Operations					
Revenues	66.3	60.2	64.5	69.3	68.5
Net Income	15.8	11.1	23.3	26.7	30.2
Cash Flow	27.0	23.3	30.9	35.2	38.4
Funding from Canada					
Budgetary (operating & capital expenditures)	0.0	0.0	0.0	0.0	0.0
Non Budgetary (loans and investments)	0.0	0.0	0.0	0.0	0.0
Payments to Canada					
Loan Repayments	0.3	0.3	0.3	0.2	0.2
Dividends	3.0	6.6	7.7	8.7	43.9
Employment	145	145	220	229	226

VIA RAIL CANADA INC.

Mandate and Background

VIA Rail manages and provides a safe and efficient passenger rail service.

Corporate Profile

VIA Rail is Canada's national passenger rail company, dedicated to providing safe and efficient intercity and transcontinental rail services. VIA Rail operates 421 trains weekly on 14,000 kilometres of track and serves more than 400 communities.

Corporate Highlights

Since 1991 VIA's budgetary appropriations have been reduced by $74.6 million, from $392.8 million to $318.2 million. It is anticipated that appropriations will be reduced further.

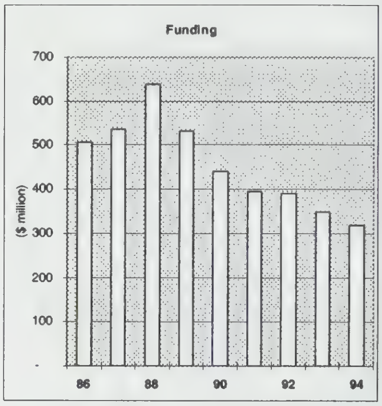
VIA has attempted to make its operations more efficient and has identified the economies required to meet reduced budgetary appropriations without reducing the number of train services operated. The economies achieved include lowering the cost of goods and services purchased by VIA, reducing train crew sizes and modernizing VIA's collective agreements. Also, VIA's management and administrative costs have been reduced by 45 percent over the last two years. VIA continues to look for further means to improve efficiency.

Increasing revenues is an important element of VIA's plan to reduce its budgetary appropriations. VIA increased revenues from $150 million in 1991 to $176 million in 1994.

In 1994, VIA began to use the computer reservation systems traditionally limited to airlines. VIA is the first passenger rail service to be accessible on these systems in the same fashion as airlines.

VIA invests in training through "Performance Enhancement", its program for continuous employee improvement.

VIA was given the Brunel Award for Design Excellence, in Washington, D.C., for modernizing its stainless-steel long-distance fleet.



Source: VIA Rail Canada Inc. Annual Report 1994.

VIA RAIL CANADA INC.

Chairman	Marc LeFrançois
President and Chief Executive Officer	Terry W. Ivany
Head Office	2 Place Ville Marie 6th Floor P.O. Box 8116, Station Centre-Ville Montreal, Quebec, H3B 2C9 (514) 871-6000 Facsimile: (514) 871-6619
Incorporation and Status	1977; under the *Canada Business Corporations Act*; Schedule III, Part I of the *Financial Administration Act*; Not an agent of Her Majesty.
Appropriate Minister	The Honourable Douglas Young, P.C., M.P., Minister of Transport
Auditor	Raymond, Chabot, Martin, Paré and the Auditor General of Canada

Financial Summary ($ million) Financial year ending December 31.

	1994	1993	1992	1991	1990
Financial Position					
Total Assets	790.4	812.5	866.4	914.2	931.8
Loans from Private Sector	0.0	0.0	0.0	0.0	0.0
Loans from Canada	0.0	0.0	0.0	0.0	0.0
Shareholder's Equity	626.9	640.9	676.6	665.0	663.4
Operations					
Revenues	176.4	164.2	155.8	150.2	142.8
Net Income	(39.3)	(47.5)	(33.0)	(38.6)	26.4
Cash Flow	10.1	0.9	12.2	6.4	66.9
Funding from Canada					
Budgetary (operating & capital expenditures)	318.2	348.1	388.9	392.8	441.5
Non Budgetary (loans and investments)	0.0	0.0	0.0	0.0	0.0
Payments to Canada					
Loan Repayments	0.0	0.0	0.0	0.0	0.0
Dividends	0.0	0.0	0.0	0.0	0.0
Employment	4,032	4,368	4,494	4,477	4,525

Corporate Holdings

INTRODUCTION

This section presents information on **Crown corporations and their corporate holdings** as of August 31, 1995. In previous years, the information has been presented as of July 31. Due to a large number of changes and to present the most up-to-date information, this year the Corporate Holdings section is as of August 31, 1995.

The information is provided in three parts:

Listing of Corporate Holdings shows the number of parent Crown corporations, subsidiaries and associates on a comparative basis with those of the previous year.

Changes During the Year identifies, for each parent Crown corporation, changes that have occurred in its subsidiaries and associates since last year's Annual Report.

A list of parent Crown corporations and their subsidiaries and associates.

STATISTICAL SUMMARY

Parent Crown Corporations and Their Wholly-Owned Subsidiaries

(at their financial year ends on or before August 31, 1995)

Crown Corporations	*1995*	*1994*
Parent Crown corporations	48	48
Wholly-owned subsidiaries	62	64

CHANGES TO THE LISTINGS

Atomic Energy of Canada Limited

AECL Technologies Inc. (formerly AECL Inc.)	**Change of Name**
AECL Technologies B.V.	**Added**

Canada Development Investment Corporation

Cameco Corporation	**Deleted**
Eldorado Resources Limited	**Deleted**
Medical High Technology Inc.	**Deleted**

Canada Lands Company Limited

3148131 Canada Limited	**Added**

Canada Post Corporation

IPC Technology S.C. (formerly EMS International Post Corporation S.A.)	**Change of Name**
IPC Unipost S.C. (formerly International Post Corporation S.A.)	**Change of Name**

Canadian National Railway Company

173835 Canada Inc.	**Deleted**
AMF TechnoTransport Management Inc.	**Added**
Canada Lands Company CLC Limited	**Added**
Canaprev Inc.	**Added**
Canadian National Express Company	**Deleted**
Canadian National Steamship Company Limited	**Deleted**
Canadian National Telegraph Company	**Deleted**
Canadian National Transfer Company Limited	**Deleted**
Chapman Transport Limited	**Deleted**
Canat Limited	**Deleted**
CNM Inc.	**Deleted**
Corporation de Chauffage Urbain de Montréal	**Deleted**
C.V. Properties Inc. (formerly Central Vermont Railway, Inc.)	**Change of Name**
EID Electronic Identification Systems Ltd.	**Deleted**
ECORAIL Enterprises (formerly MOQ Express Inc.)	**Change of Name**
Empire Freightways Limited	**Deleted**
Fort Point Holdings Ltd.	**Deleted**
The Minnesota and Manitoba Railroad Company	**Deleted**
The Minnesota and Ontario Bridge Company	**Deleted**
Railease Associates	**Added**
Seabase Limited	**Deleted**
Scabase Limited	**Deleted**
Royal Transportation Limited	**Deleted**

Queens Quay West Land Corporation

630370 Ontario Ltd.	**Deleted**

LISTING OF CORPORATE HOLDINGS

(at their financial year-ends on or before August 31, 1995)

1. Atlantic Pilotage Authority

2. Atomic Energy of Canada Limited

Subsidiaries held at 100%

- AECL Technologies Inc. (formerly AECL Inc.)
- AECL Technologies B.V.

3. Bank of Canada

4. Business Development Bank of Canada (formerly Federal Business Development Bank)

Associates held at less than 50%

- Cominco Ltd.[1]

5. Canada Council

6. Canada Deposit Insurance Corporation

7. Canada Development Investment Corporation

Subsidiaries held at 100%

- Canada Eldor Inc. and its Subsidiaries/Associates
  - Eldorado Aviation Limited[2]
  - Eldorado Nuclear (1989) Limited[2]
- Cartierville Financial Corporation Inc.[2]
- Canada Hibernia Holding Corporation and its Associate
  - Hibernia Management and Development Company Ltd. (8.5%)
- Theratronics International Limited and its Associate
  - Meicor Inc. (65%)

Associates held at less than 50%

- Varity Corporation[1]

8. Canada Lands Company Limited

Subsidiaries held at 100%

- 3148131 Canada Limited
- Canada Lands Company (Vieux-Port de Québec) Inc.[3]
- Canada Museums Construction Corporation Inc.
- Old Port of Montreal Corporation Inc.[4]

9. Canada Mortgage and Housing Corporation

10. Canada Ports Corporation

Subsidiaries held at 100%

- Ridley Terminals Inc.

11. Canada Post Corporation

Subsidiaries held at 100%

- Canada Post Systems Management Ltd.
- CINA Holdings B.V. and its Associate
  - G.D. Net B.V. (12%) and its Subsidiary G.D. Express Worldwide N.V. (50%)
- Canada Post Holdings and its subsidiary
  - PCL Courier Holding Inc. (75%) and its subsidiary
    - Purolator Courier Ltd. (100%)

Associates held at less than 50%

- Cooperative Vereniging International Post Corporation U.A. (6.8%) and its Subsidiaries
  - IPC Technology S.C. (96%) (formerly EMS International Post S.A.)
  - IPC Unipost S.C. (96%) (formerly International Post S.A.)

12. Canadian Broadcasting Corporation

Associates held at less than 50%

- Bramalea (950,000 shares)
- Cable North Microwave Limited (1 share)
- Master FM Limited (20%)
- Visnews Limited (1 share)
- Showcase (20%)

13. Canadian Commercial Corporation

14. Canadian Dairy Commission

15. Canadian Film Development Corporation

16. Canadian Museum of Civilization

17. Canadian Museum of Nature

18. Canadian National Railway Company

Subsidiaries held at 100%

- AMF TechnoTransport Inc.
- The Canada and Gulf Terminal Railway Company
- Canada Lands Company CLC Limited

Subsidiaries held at 50-99%

- AMF TechnoTransport Management Inc. (50%)
- Autoport Limited (50%)

Associates held at less than 50%

- Compagnie de gestion de Matane Inc. (49%)
- Dome Consortium Investments Inc. (6.7%)

18. Canadian National Railway Company (continued)

Subsidiaries held at 100%

- The Canadian National Railways Securities Trust Inc.
- Ecorail Inc. and its Subsidiary
  - ECORAIL Enterprises Inc.
- Canadian National Transportation, Limited
- CN (France) S.A.
- CN Tower Limited
- CN Transactions Inc. and its Subsidiaries
  - Autoport Limited (50%)
  - Canac International Inc. and its Subsidiary: Canac International Ltd.
  - CN Exploration Inc.
- Grand Trunk Corporation and its Subsidiaries/Associates
  - Domestic Four Leasing Corporation
  - C.V. Properties Incorporated and its Subsidiary Domestic Two Leasing Corporation and its Subsidiary Relco Financial Corp.
  - Duluth, Winnipeg and Pacific Railway Company Inc.
  - The Belt Railway Company of Chicago (8.3%)
  - Grand Trunk Western Railroad Incorporated
  - Grand Trunk Finance and its Subsidiary Domestic Three Leasing Corporation
  - Grand Trunk Technologies Incorporated and its Subsidiary/Associates TTX Company (1.3%)
  - Société du port ferroviaire de Baie Comeau - Hauterive (12.5%)
  - St. Clair Tunnel Company
  - St. Clair Tunnel Construction Company
- Mount Royal Tunnel and Terminal Company, Limited

Subsidiaries held at 50-99%

- CNCP Niagara Detroit and its Subsidiaries
  - The Canada Southern Railway Company (50%)
  - The Niagara River Bridge Company
  - Detroit River Tunnel Company (50%)
- The Great North Western Telegraph Company of Canada (95.54%)
- Halterm Limited (50%)
- The Northern Consolidated Holding Company Limited (53.9%)
- The Quebec and Lake St. John Railway Company (73.25%)
- Shawinigan Terminal Railway Company (50%)
- Lakespan Marine Inc. (50%)
- The Toronto Terminal Railway Company Limited (50%)
- Railease Associates (50%)
- Canaprev Inc. (50%)

Associates held at less than 50%

- Eurocanadian Shipholdings Limited (18%)
- Innotermodal Inc. (33.3%)
- Railroad Association Insurance, Ltd. (7.5%)
- St. Clair Tunnel Construction Company (25%)
- The Canadian Northern Quebec Railway Company (20.9%)

19. Canadian Saltfish Corporation

20. Canadian Wheat Board, The

21. Cape Breton Development Corporation

Subsidiaries held at 100%

- Cape Breton Carbofuels Limited[2]

22. Defence Construction (1951) Limited

23. Enterprise Cape Breton Corporation

Subsidiaries held at 100%

- Cape Breton Marine Farming Limited[2]
- DARR (Cape Breton) Limited[2]
- Gulf Bras D'Or Estates Limited[2]

Associates held at less than 50%

- Canadian Tennis Technology Limited
- General Mining Building Limited
- Magi Corporation
- Silver Screen Star Limited

24. Export Development Corporation

25. Farm Credit Corporation

26. Freshwater Fish Marketing Corporation

27. Great Lakes Pilotage Authority, Ltd.

28. Halifax Port Corporation

29. International Development Research Centre

30. Laurentian Pilotage Authority

31. Marine Atlantic Inc.

Subsidiaries held at 100%

- Coastal Transport Ltd.
- Newfoundland Dockyard Company

32. Montreal Port Corporation

Subsidiary held at 100%

- 176422 Canada Inc.

33. National Arts Centre Corporation

34. National Capital Commission

35. National Gallery of Canada

36. National Museum of Science and Technology

37. Pacific Pilotage Authority

38. Petro-Canada Limited

39. Port of Quebec Corporation

40. Prince Rupert Port Corporation

41. Queens Quay West Land Corporation

42. Royal Canadian Mint

43. Saint John Port Corporation

44. St. John's Port Corporation

45. St. Lawrence Seaway Authority, The

Subsidiaries held at 100%

- Great Lakes Pilotage Authority, Ltd.[5]
- The Jacques Cartier and Champlain Bridges Incorporated
- The Seaway International Bridge Corporation, Ltd.

46. Standards Council of Canada

47. Vancouver Port Corporation

Subsidiary held at 100%

- Canada Harbour Place Corporation

48. VIA Rail Canada Inc.

Associates held at less than 50%

- Railroad Association Insurance, Ltd. (4%)

NOTES

To Listing of Crown Corporations and Their Corporate Holdings

1. Only non-voting preferred shares are held.

2. Inactive corporation.

3. Canada Lands Company (Vieux-Port de Québec Inc.) ceased operations on March 31, 1988. A decision has yet to be taken with respect to its formal dissolution pending the resolution of certain legal matters.

4. Old Port of Montreal Corporation Inc., a wholly-owned subsidiary of the Canada Lands Company Limited, has been directed to report its affairs as if it were a parent Crown corporation.

5. Not included in Statistical Summary of wholly-owned subsidiaries. Scheduled as a parent Crown corporation pursuant to *The Pilotage Act.*

INTRODUCTION

The Other Corporate Interests section provides information on:

- corporations with share capital owned by Canada through share ownership or board membership with other organizations or other governments;
- corporations without share capital (e.g. non-profit corporations) for which the government has a legal right to appoint or approve the appointment of some members to the Board of Directors; and
- organizations formed pursuant to an international agreement where the government has a right to appoint or approve the appointment of some members to the governing body, or in which Canada holds shares.

This information is grouped in listings as follows:

Mixed Enterprises

Corporate entities whose shares are partially owned by Canada, through a Minister. The balance of shares is owned by private sector parties.

Other Corporate Interests

Joint Enterprises

Corporate entities whose shares are partially owned by Canada, through a Minister. The balance of shares is owned by another level of government.

International Organizations

Corporate entities created pursuant to international agreements by which Canada has a right to appoint or elect members to a governing body.

Other Entities

Corporate entities in which Canada holds no shares but, either directly or through a Crown corporation, has a right pursuant to statute, articles of incorporation, letters patent or by-law, to appoint or nominate one or more members to the board of directors or similar governing body.

Corporations under the terms of the Bankruptcy and Insolvency Act

Corporate entities whose shares are partially owned by Canada following receipt by a trustee in bankruptcy.

Also provided is:

Statistical Summary of the Other Corporate Interests of Canada

Presents the numbers of: mixed enterprises, joint enterprises, international organizations, other entities, and corporations for whom shares have been acquired under the *Bankruptcy and Insolvency Act* as of March 31, 1995 in comparison with March 31, 1994.

Changes to the Listings During the Year

Presents the names of the other corporate interests of Canada, as of March 31, 1995, deleted or added to the listings since the last Annual Report.

STATISTICAL SUMMARY

Other Corporate Interests of Canada

Statistical Summary	*1995*	*1994*
Mixed Enterprises	4	5
Joint Enterprises	3	3
International Organizations	18	15
Other Entities	53	51
Corporations under the terms of the Bankruptcy and Insolvency Act	6	8

CHANGES TO THE LISTINGS

Mixed Enterprises

Cooperative Energy Corporation	**Deleted**

Joint Enterprises

No Additions or Deletions

International Organizations

International Rainy River Control Board	**Added**
International Lake Memphramagog Levels Board	**Added**
International Lake of the Woods Control Board	**Added**
International Niagara Committee	**Added**
International Fund for Agricultural Development	**Deleted**

Other Entities

Commonwealth Centre for Sport Development	**Added**
National Sport Centre (Calgary)	**Added**
Pan American Game Society (WPG 1999) Inc.	**Added**
Medical Council of Canada	**Deleted**

Corporations held under the terms of the Bankruptcy and Insolvency Act

Koala Beverages Ltd.	**Deleted**
Selkirk Springs (Canada) Corp.	**Deleted**

MIXED ENTERPRISES

Description and General Information

Responsible Minister/ Corporation	Mandate/ Government Objective	Head Office Information	Statutory Authority and Year Incorporated	Fiscal Year End/ Total Assets (A)/ Liabilities (L)/ Auditor	Federal Ownership
Minister of Finance and Minister responsible for the Federal Office of Regional Development - Quebec					
National Sea Products Limited					
	To process and market fish, seafoods and fish by-products around the world.	P.O. Box 910 Lunenburg, N.S. B0J 2C0 (902) 422-9381	The Companies Act of Nova Scotia, amalgamated in 1967	December 31 A = 139.7M L = 118.5M Ernst & Young	10.56%
Petro-Canada					
	To enhance shareholder's value through development, production and distribution of hydrocarbons and other types of fuel and energy.	150-6th Ave. S.W. 52nd Floor, West Tower Calgary, Alberta T2P 3E3 (403) 296-8000	Canada Business Corporations Act, 1975	December 31 A = 5.98B L = 2.96B Arthur Andersen & Company	70%
Minister of Natural Resources					
NPM Nuclear Project Managers Canada Inc.					
	Nuclear project and construction management. To transfer this activity to the private sector.	2020 University 22nd Floor Montreal, Quebec H3A 2A5 (514) 288-1990	Canada Business Corporations Act, 1982	March 31 A = $33.3M L = $28.6M Price Waterhouse	17%
Minister of Transport					
Canarctic Shipping Company Limited					
	To demonstrate Canadian capability in Arctic ship design and operation; and to use the ship for advancing ice navigation technology, and for effectively testing the extension of the arctic shipping season.	150 Metcalfe Street P.O. Box 39 Ottawa, Ontario K2P 1P1 (613) 234-8414	Canada Business Corporations Act, 1976	December 31 A = $12.4M L = $11.8M Coopers & Lybrand	51%

JOINT ENTERPRISES

Description and General Information

Responsible Minister/ Corporation	Mandate/ Government Objective	Head Office	Statutory Authority	Fiscal Year End/ Total Assets (A)/ Liabilities (L)/ Auditor	Federal Ownership
Minister of Finance and Minister Responsible for the Federal Office of Regional Development - Quebec					
Société du parc industriel et portuaire Québec-Sud					
	To encourage, in the town of Lauzon, the development of an industrial park and harbour facility suited to major industrial projects. To manage this industrial park and harbour facility.	10, rue Giguère Lévis-Lauzon, Québec G6V 1N6 (418) 833-5925	Loi spéciale Gouvernement du Québec, 1974	March 31 A = 2.6M L = .3M Laliberté, Lanctôt, Coopers & Lybrand	40%
Minister of Human Resources Development and Minister of Western Economic Diversification					
North Portage Development Corporation					
	To foster the social and economic redevelopment of the North Portage area in Winnipeg.	201- One Forks Market Road Winnipeg, Man. R3C 4L9 (204) 947-1744	Manitoba Corporations Act, 1983	March 31 A = $99.9M L = $26.0M Coopers & Lybrand	33%
Minister of Natural Resources					
Lower Churchill Development Corporation Limited					
	To establish a basis for the development of all or part of the hydroelectric potential of the Lower Churchill basin and the line transmission of this energy to markets.	P.O. Box 12700 St. John's, Nfld. A1B 3T5 (709) 737-1400	Newfoundland Companies Act, 1978	December 31 A = $30.1M L = $3.0M Ernst & Young	49%

INTERNATIONAL ORGANIZATIONS

Description and General Information

Responsible Minister/ Corporation / Mandate/ Government Objective	Head Office	Statutory Authority	Auditor	Federal Ownership
Deputy Prime Minister and Minister of the Environment				
International Lake Memphramagog Levels Board				
The Board provides a forum for dispute resolution regarding the regulation of the levels of Lake Memphramagog in accordance with international obligations and federal and provincial legislation.	c/o EC, Québec Region 100, boul. Alexis-Nihon Suite 300 Saint Laurent (Québec) H4M 2N8 (514) 283-1628	The Board was created pursuant to an agreement between the governments of Canada and the U.S.A.	N/A	N/A
International Lake of the Woods Control Board				
Lake of the Woods is an international boundary water. The Lake of the Woods Control Board is responsible for the regulation of levels in the Lake of the Woods and Lac Seul and flows in the Winnipeg and English Rivers downstream of these lakes to their junction, in accordance with international obligations and federal and provincial legislation.	c/o EC, Environmental Protection Service 17th floor 351 St. Joseph Blvd. Hull, Québec K1A 0H3 (819) 953-1523	The Board was created pursuant to Section 2 of the Lake of the Woods Control Board Act and is further mandated by the Canada-U.S. Boundary Waters Treaty (Convention and Protocol, 1925)	N/A	N/A
International Niagara Committee				
The Committee reports annually to the governments on the adherence of the parties to the terms and conditions of the Treaty. Regular inspections of the operating hydropower facilities on the river are carried out by the technical staff reporting to the Committee.	c/o EC, Ontario Region 867 Lakeshore Road Burlington, Ontario L7R 4A6 (905) 336-4713	The Niagara Diversion Treaty, 1950 as administered by the Department of Foreign Affairs and International Trade and the U.S. State Department	N/A	N/A
International Porcupine Caribou Board				
To provide advice and recommendations that will improve cooperation and coordination between Canada and the U.S.A. in managing the Porcupine Caribou Herd.	c/o EC Pacific and Yukon Region P.O. Box 340 Delta, B.C. V4K 3Y3 (604) 946-8546	Agreement signed by the U.S.A. and Canada on the Conservation of the Porcupine Caribou Herd, 1987	N/A	N/A
International Rainy River Control Board				
The Board reports annually to the International Joint Committee (IJC) on water quality conditions in the Rainy River and actions being taken by the regulatory agencies , industry and municipalities to address sources of pollution to the river.	c/o EC, Ontario Region 867 Lakeshore Road P.O. Box 5050 Burlington Ontario L7R 4A6 (905) 336-6415	The Board was created pursuant to letters between the governments of Canada and the U.S.A. (1965)	N/A	N/A

INTERNATIONAL ORGANIZATIONS

Description and General Information

Responsible Minister/ Corporation	Mandate/ Government Objective	Head Office	Statutory Authority	Auditor	Federal Ownership
Minister of Finance and Minister Responsible for the Federal Office of Regional Development - Quebec					
European Bank for Reconstruction and Development					
	To develop a vibrant private sector and to help foster the transition from centrally planned economies to market economies in the new Europe.	One Exchange Square London, England EC2 2EH 071-338-6000	European Bank for Reconstruction and Development Agreement Act, 1991	Deloitte Touche Tohmatsu	3.4%
International Bank for Reconstruction and Development					
	To assist in the reconstruction and development of territories of member countries.	1818 H Street N.W. Washington, D.C. 20433, U.S.A. (202) 623-1000	Bretton Woods and Related Agreements Act, 1945	Price Waterhouse	3.18%
International Development Association					
	To promote economic development, increase productivity and thus raise standards of living in the less-developed areas of the world.	1818 H Street N.W. Washington, D.C. 20433, U.S.A. (202) 477-1234	Articles of Agreement; 1960, International Development Association Act, 1960	Price Waterhouse	3.06%
International Finance Corporation					
	To further economic development by encouraging the growth of productive enterprises in member countries, supplementing the activities of the International Bank for Reconstruction and Development.	1850 H Street N.W. Washington, D.C. 20433, U.S.A. (202) 477-1234	Articles of Agreement; Vote 731, Appropriation Act No. 6, 1956	Price Waterhouse	3.63%
International Monetary Fund					
	Established to promote economic welfare by encouraging the expansion of trade, the maintenance of orderly exchange arrangements, and the reduction of balance of payments.	700 19th St. N.W. Washington, D.C. 20431, U.S.A. (202) 623-7430	Agreement signed by member Countries, 1945	External Audit Committee	2.98%
Multilateral Investment Guarantee Agency					
	To encourage the flow of investments for productive purposes among member countries, thus supplementing the activities of the International Bank for Reconstruction and Development, the International Finance Corporation and other international development finance institutions.	1818 H Street N.W. Washington, D.C. 20433, U.S.A. (202) 477-1234	Bretton Woods and Related Agreements Act, 1988	Price Waterhouse	2.97%
Minister of Foreign Affairs					
African Development Bank					
	To contribute to the economic development and social advancement of the member countries, individually and collectively. To contribute to the achievement of Canada's development assistance, foreign policy and trade objectives.	01, Box 1387 Abidjan 01 Ivory Coast Africa 011-225-20-44-44	Agreement signed by member countries, 1963 and the International Development (Financial Institutions) Continuing Assistance Act.	Akintola Williams & Hassan Inc. and Deloitte & Touche	3.32%

INTERNATIONAL ORGANIZATIONS

Description and General Information

Responsible Minister/ Corporation	Mandate/ Government Objective	Head Office	Statutory Authority	Auditor	Federal Ownership
Minister of Foreign Affairs					
African Development Fund					
	To assist the African Development Bank in the economic and social development of the Bank's members. To contribute to the achievement of Canada's development assistance, foreign policy and trade objectives.	01, P.O. Box 1387 Abidjan Ivory Coast Africa 011-225-20-44-44	Agreement signed by member countries, 1972, P.C. 1972-2595 and the International Development (Financial Institutions) Continuing Assistance Act.	Akintola Williams & Hassan Inc. and Deloitte & Touche	9.74%
Asian Development Bank					
	To lend funds, promote investment and provide technical assistance to developing countries, and generally to foster economic growth in the Asian Region. To contribute to the achievement of Canada's development assistance, foreign policy and trade objectives.	P.O. Box 789 1099 Manila, Philippines 011-632-711-3851	Agreement signed by member countries, 1965 and the International Development (Financial Institutions) Continuing Assistance Act.	Deloitte & Touche	4.48%
Caribbean Development Bank					
	To contribute to the harmonious economic growth and development of the member countries, and integration among them, having special and urgent regard to the needs of the less developed members of the region. To contribute to the achievement of Canada's development assistance, foreign policy and trade objectives.	P.O. Box 408 Wilday, St. Michael Bridgetown Barbados 1-8-809-429-3550	Agreement signed by member countries, 1969 and the International Development (Financial Institutions) Continuing Assistance Act.	Price Waterhouse	9.68%
Inter-American Development Bank					
	To contribute to the acceleration of the process of economic development of the member countries, individually or collectively. To contribute to the achievement of Canada's development assistance, foreign policy and trade objectives.	1300 New York Ave. Washington, D.C. 20577, U.S.A. (202) 623-1000	Agreement signed by member countries, 1959 and the International Development (Financial Institutions) Continuing Assistance Act.	Price Waterhouse	4.38%
International Boundary Commission					
	To maintain the demarcation and cartographic representation of the land and water boundary between Canada and the United States, and to regulate all construction within three metres of the boundary line.	615 Booth Street Room 130 Ottawa, Ontario K1A 0E9 (613) 995-4951	Treaty of Washington, 1908, International Boundary Commission Act, 1960	Arthur Andersen & Company	N/A
Minister of National Defence and Minister of Veterans Affairs					
Commonwealth War Graves Commission					
	To mark and maintain graves and memorials and keep records of the members of the Forces of the Commonwealth who died in the two World Wars.	2 Marlow Road Maidenhead, Berkshire U.K. SL6 7DX (0628) 34221	Royal Charter, 1917	Coopers Lybrand & Deloitte	N/A

OTHER ENTITIES

Description and General Information

Responsible Minister/ Corporation	Mandate/ Government Objective	Head Office	Statutory Authority	Auditor
Minister of Agriculture and Agri-Food				
Canada Grains Council				
	To encourage a coordinated effort in improving Canada's performance in world grain markets, to promote and conduct research, and to formulate recommendations and provide advice to government representing a consensus within the industry.	360 Main Street, Suite 760 Winnipeg, Man. R3C 3Z3 (204) 942-2254	Canada Corporations Act, 1969	KPMG Peat Marwick Thorne
Canadian International Grains Institute				
	To promote, on a non-profit basis, for the general advantage of Canada, the development, maintenance and enlargement of Canadian and international markets for Canadian grains and oilseeds and the products thereof.	303 Main St., Suite 1000 Winnipeg, Man. R3C 3G7 (204) 983-3289	Canada Corporations Act, 1972	Deloitte & Touche
Canadian Livestock Records Corporation				
	To perform services for and on behalf of members of the fifty Breed Associations. To ensure the maintenance of the General Stud and Herd Books.	2417 Holly Lane Ottawa, Ontario K1V 0M7 (613) 731-7110	Animal Pedigree Act, 1988	Ernst & Young
POS Pilot Plant Corporation				
	To be a practical world-class research and development facility for Canadian and international industry so that secondary and tertiary industry can be started and developed in Canada.	118 Veterinary Rd. Saskatoon, Sask. S7N 2R4 (306) 975-7066	Canada Corporations Act, 1973	KPMG Peat Marwick Thorne
Western Grains Research Foundation				
	To initiate, encourage, support and conduct research into grain production and into economic and market development of grain products.	118 Veterinary Rd. Saskatoon, Sask. S7N 2R4 (306) 975-0060	Canada Corporations Act, 1981	Coopers & Lybrand
Minister of Canadian Heritage				
Association for the Export of Canadian Books				
	To promote the export of Canadian books. To administer the export budget for the Department of Canadian Heritage's Book Publishing Industry Development Program.	1 Nicholas St. Suite 1101 Ottawa, Ontario K1N 7B7 (613) 562-2324	Canada Corporations Act, 1972	Robert B. Shortley
Calgary Olympic Development Association				
	To foster the development of Canadian athletics; to administer the Olympic Endowment Funds; and to operate and maintain the Canada Olympic Park.	The Day Lodge Canada Olympic Park Beaufort Road N.W., SS#1 Calgary, Alta. T2M 4N3 (403) 247-5416	Societies Act of Alberta, 1979	Price Waterhouse

OTHER ENTITIES

Description and General Information

Responsible Minister/ Corporation	Mandate/ Government Objective	Head Office	Statutory Authority	Auditor
Minister of Canadian Heritage (Continued)				
Canada Games Council				
	To provide a major national multi-sport event for the best young athletes in all provinces and territories.	1600 James Naismith Drive Gloucester, Ontario K1B 5N4 (613) 748-5799	Canada Corporations Act, 1991	Deloitte & Touche
Canadian Sport and Fitness Administration Centre				
	To provide support services in the areas of administration and promotion.	1600 James Naismith Drive Gloucester, Ontario K1B 5N4 (613) 748-5708	Canada Corporations Act, 1974	KPMG Peat Marwick Thorne, and Mitchell & Co.
Coaching Association of Canada				
	To improve the formal training of coaches through the National Coaching Certification Program and related programs, and to consolidate a profession of coaching which will ensure job opportunities are matched by qualified candidates.	1600 James Naismith Drive Gloucester, Ontario K1B 5N4 (613) 748-5624	Canada Corporations Act, 1971	Ouseley Hanvey Cripsham Deep
Commonwealth Centre for Sport Development				
	To establish and operate a multi-sport development centre, dedicated to developing standards of high performance and competitive excellence in athletes and coaches, within domestic and international amateur sports.	4636 Elk Drive Victoria, BC V8Z 5M1 (604) 744-3538	Society Act of B.C.	N/A
Fair Play Canada				
	To promote the concept of fair play within the Canadian sport system.	1600 James Naismith Drive Gloucester, Ontario K1B 5N4 (613) 748-5883	Canada Corporations Act, 1993	Ouseley Hanvey
Kamloops 1993 Canada Games Host Society, The				
	To plan, organize and stage the 1993 Canada Summer Games.	74 Seymour Street Kamloops, B.C. V2C 1E2 (604) 828-5697	Society Act of B.C., 1990	Price Waterhouse
National Sport Centre - Calgary				
		c/o Faculty of Physical Education University of Calgary 2500 University Drive NW Calgary, Alberta T2N 1N4 (403) 282-6972	Society Act of Alberta, 1994	Price Waterhouse
Pan American Games Society (WPG 1999) Inc.				
	To plan, organize and stage the 1999 Pan American Games in Winnipeg.	500 Shaftsbury Blvd. Winnipeg, Manitoba R3P 0M1 (204) 985-1999	The Corporations Act (Manitoba) 1994	N/A

OTHER ENTITIES

Description and General Information

Responsible Minister/ Corporation	Mandate/ Government Objective	Head Office	Statutory Authority	Auditor
Minister of Canadian Heritage (Concluded)				
Sport Information Resource Centre				
	To maintain a non-profit national sport information resource centre to serve the educational needs of those involved in the development of sport and fitness in Canada.	1600 James Naismith Drive Gloucester, Ontario K1B 5N5 (613) 748-5658	Canada Corporations Act, 1987	Guindon Charron
1997 Brandon Canada				
	To plan, organize and stage the 1997 summer games.	108 - 18th Street Brandon, Manitoba R7A 5A4 (204) 729-1997	Society Act of Alberta, 1994	Ernst & Young
1995 Canada Winter Games Host Society				
	To plan, organize and stage the 1995 Canada Winter Games.	P.O. Box 1995 Grande Prairie, Alberta T8V 6V2 (403) 539-1995	Society Act of Alberta, 1994	N/A
1995 World Nordic Championships Organizing Committee				
	To organize the 1995 World Nordic Championships.	3rd Floor, City Hall 500 Donald St. East Thunder Bay, Ontario N7T 7H7 (807) 343-8744	Ontario Business Corporations Act, 1991	Ernst & Young
1994 Victoria Commonwealth Games Host Society				
	To organize and stage the XVth Commonwealth Games.	Suite 1210 345 Quebec Street Victoria, B.C. V8W 3M8 (604) 380-1994	Society Act of British Columbia, 1988	KPMG Peat Marwick Thorne
1989 Jeux Canada Games Foundation Inc.				
	To promote and support amateur sport throughout host provinces by directing the surplus generated by sound management of the Games.	P.O. Box 1989 Saskatoon, Sask. S7K 3S5 (306) 664-2789	Non-Profit Corporations Act, 1990	Horachek Cannam Joa
Deputy Prime Minister and Minister of the Environment				
Wildlife Habitat Canada				
	To promote the conservation, restoration and enhancement of wildlife habitat in Canada in order to retain the diversity, distribution and abundance of wildlife.	7 Hinton Avenue Suite 200 Ottawa, Ontario K1Y 4P1 (613) 722-2090	Canada Corporations Act, 1984	KPMG Peat Marwick Thorne

OTHER ENTITIES

Description and General Information

Responsible Minister/ Corporation	Mandate/ Government Objective	Head Office	Statutory Authority	Auditor
Minister of Fisheries and Oceans				
International Fisheries Commissions Pension Society				
	To arrange for and administer the provision of pensions and insurance for Canadian employees of any international fisheries commission, whose seat or headquarters is established and maintained by Canada or the U.S., or both.	c/o Department of Fisheries and Oceans 200 Kent Street Ottawa, Ontario K1A 0E6 (613) 993-1860	Canada Corporations Act, 1957	Director General Corporate Review, Evaluation and Audit Directorate Department of Fisheries and Oceans
Minister of Foreign Affairs				
Asia-Pacific Foundation of Canada				
	To develop closer ties between the peoples and institutions of Canada and the Asia-Pacific region.	999 Canada Place, Suite 666 Vancouver, B.C. V6C 3E1 (604) 684-5986	Asia-Pacific Foundation of Canada Act, 1984	Arthur Andersen & Company
International Centre for Human Rights and Democratic Development				
	To promote and support cooperation between Canada and other countries for the purpose of developing and strengthening human rights institutions.	63, rue de Brésoles, 1st Floor Montreal, Quebec H2Y 1V7 (514) 283-6073	International Centre for Human Rights and Democratic Development Act, 1988	Auditor General of Canada
Roosevelt Campobello International Park Commission				
	To administer as a memorial the Roosevelt Campobello International Park.	P.O. Box 9, Welshpool Campobello Is., N.B. E0G 3H0 (506) 752-2992	The Roosevelt Campobello International Park Commission Act, 1964	Foster, Carpenter, Black & Co.
Minister of Health				
Board of Trustees of the Queen Elizabeth II Canadian Fund to Aid in Research on the Diseases of Children				
	To further research into the diseases of children and the prevention and cure of such diseases.	Holland Cross 5th Floor, Tower B 1600 Scott Street Ottawa, Ontario K1A 0W9 (613) 954-1813	Queen Elizabeth II Canadian Research Fund Act, 1959	Auditor General of Canada
Canadian Centre on Substance Abuse				
	To promote increased awareness, on the part of Canadians, of matters relating to alcohol and drug abuse and their increased participation in the reduction of harm associated with such abuse, and to promote the use of relevant programs.	112 Kent Street, Suite 480 Ottawa, Ontario K1P 5P2 (613) 235-4048	Canadian Centre on Substance Abuse Act, 1988	McIntyre & McLarty
Canadian Fitness and Lifestyle Research Institute				
	To conduct research, and collect, interpret and disseminate information pertaining to the fitness levels of Canadians.	1600 James Naismith Drive Gloucester, Ontario K1B 5N4 (613) 748-5791	Canada Corporations Act, 1980	Ouseley Hanvey

OTHER ENTITIES

Description and General Information

Responsible Minister/ Corporation	Mandate/ Government Objective	Head Office	Statutory Authority	Auditor
Minister of Health (Concluded)				
PARTICIPaction				
	To inform Canadians about the positive benefits of physical fitness and to motivate them to adopt healthy, physically active lifestyles. To promote fitness through participation in sport and physical recreation.	40 Dundas St. West, Suite 220 Toronto, Ontario M5G 2C2 (416) 977-7467	Canada Corporations Act, 1971	KPMG Peat Marwick Thorne
Terry Fox Humanitarian Award Inc.				
	To encourage Canadian youth to seek high ideals as represented by Terry Fox by granting commemorative scholarships for the pursuit of higher education. To establish, maintain, and manage an endowment fund.	711-151 Sparks Street Ottawa, Ontario K1P 5E3 (613) 235-1803	Canada Corporations Act	Deloitte & Touche
Minister of Indian Affairs and Northern Development				
Northern Native Fishing Corporation				
	To preserve a fleet of fishing vessels and related licences for the long-term benefit of native fishermen, and to foster their development as independent business operators.	P.O. Box 876 4-214 Third Ave. W. Prince Rupert, B.C. V8J 3Y1 (604) 627-8436	British Columbia Companies Act, 1982	Carlyle Shepherd & Co.
Minister of National Defence and Minister of Veterans Affairs				
Army Benevolent Fund				
	To relieve distress and promote the well-being of Second World War veterans of the Canadian Army and their dependents through the provision of financial assistance.	245 Cooper Street Ottawa, Ontario K2P 0G2 (613) 996-6150	Army Benevolent Fund Act, 1947	Auditor General of Canada
Last Post Fund				
	To ensure the provision of a dignified funeral and burial to eligible war veterans.	685 Cathcart St., Suite 921 Montreal, Quebec H3B 1M7 (514) 866-2888	Federal Charter, 1921	Consulting and Audit Canada
Minister of Natural Resources				
Forest Engineering Research Institute of Canada				
	To conduct research and development aimed at improving the efficiency of operations relating to the harvesting and transportation of wood and to improving the equipment used for silvicultural and private woodlots forestry.	580 St. Jean Blvd. Pointe Claire, Quebec H3R 3J9 (514) 694-1140	Canada Corporations Act, 1976	Bélair, Deloitte & Touche
Forintek Canada Corporation				
	To be the leading force in the technological advancement of the Canadian wood products industry, through creation and implementation of innovative concepts, processes, products, and education programs.	2665 East Mall University of British Columbia Vancouver, B.C. V6T 1W5 (604) 224-3221	Canada Corporations Act, 1979	Deloitte & Touche

OTHER ENTITIES

Description and General Information

Responsible Minister/ Corporation / Mandate/ Government Objective	Head Office	Statutory Authority	Auditor
Minister of Natural Resources (Concluded)			
Maritime Forestry Complex Corporation			
To establish a Maritime Provinces Regional Forestry Complex.	Hugh John Flemming Forestry Centre, RR #10, Fredericton, N.B. E3B 6H6 (506) 453-3801	Maritime Forestry Complex Corporations Act, New Brunswick, 1980	Deloitte & Touche
National Community Tree Foundation			
To promote public awareness and education regarding Canada's forests, to provide leadership and community action in building the conservation ethic in Canada and in coordinating actions and soliciting cooperation and funding, in support of tree planting and forest conservation.	220 Laurier Avenue West Suite 1550 Ottawa, Ontario K1P 5Z9 (613) 567-5545	Canada Corporations Act, 1991	KPMG Peat Marwick Thorne
Pulp and Paper Research Institute of Canada			
To enhance the technical competitiveness of its member companies by providing them with basic research data and improved technology.	570 Saint-Jean Blvd. Pointe Claire, Quebec H9R 3J9 (514) 630-4100	Canada Companies Act, 1950	Deloitte & Touche
Prime Minister			
Nature Trust of British Columbia, The			
To purchase and preserve ecologically important parcels of land in B.C.	808-100, Park Royal South, West Vancouver, B.C. V7T 1A2 (604) 925-1128	Canada Corporations Act, 1971	KPMG Peat Marwick Thorne
Vanier Institute of the Family, The			
To promote the spiritual and material well-being of Canadian families and to study their social, physical, mental, moral and financial environment and characteristics.	120 Holland Ave. Ottawa, Ontario K1A 0X6 (613) 722-4007	Canada Business Corporations Act, 1965	McCoy & Duff
Minister of Transport			
Blue Water Bridge Authority			
To acquire, hold, operate, maintain, repair and add to the Canadian portion of the Blue Water Bridge between Point Edward, Ontario and Port Huron, Michigan.	Bridge Street Point Edward, Ontario N7V 4J5 (519) 336-2720	Blue Water Bridge Authority Act, 1964	Deloitte & Touche
Buffalo and Fort Erie Public Bridge Authority			
To construct, maintain and operate the Peace Bridge between Buffalo, New York and Fort Erie, Ontario.	The Peace Bridge Peace Bridge Plaza Buffalo, N.Y. 14213 U.S.A. (716) 884-6744	An Act respecting the Buffalo and Fort Erie Public Bridge Company, 1934	Ernst & Young

OTHER ENTITIES

Description and General Information

Responsible Minister/ Corporation	Mandate/ Government Objective	Head Office	Statutory Authority	Auditor
Minister of Transport (Concluded)				
Saint John Harbour Bridge Authority				
	To construct a bridge across the Harbour of Saint John, to enter into agreement respecting the financing, construction and financial operation of the bridge, and to collect tolls and other charges for the operation and maintenance of the bridge.	29 King Street P.O. Box 3728 Station B West Saint John, N.B. E2M 5C1 (506) 635-1320	An Act to Establish a Harbour Bridge Authority in the City of Saint John, New Brunswick, 1962	Deloitte & Touche
HARBOUR COMMISSIONS:				
	To manage and control the harbour and the works and property therein under its jurisdiction. To develop the port and act as a catalyst in the utilization of port facilities and furthering trade nationally and internationally.			
Fraser River Harbour Commission				
		Suite 505 713 Columbia Street New Westminster, B.C. V3M 1B2 (604) 524-6655	Harbour Commission Act, 1964	Doane Raymond
Hamilton Harbour Commission				
		605 James Street N. Hamilton, Ontario L8L 1K1 (905) 525-4330	Hamilton Harbour Commissioners Act, 1957	Coopers and Lybrand
Nanaimo Harbour Commission				
		104 Front Street P.O. Box 131 Nanaimo, B.C. V9R 5K4 (604) 753-4146	Harbour Commission Act, 1964	Bestwick and Partners
North Fraser Harbour Commission				
		2020 Airport Road Richmond, B.C. V7B 1C6 (604) 273-1866	Harbour Commission Act, 1964	BDO Dunwoody,
Oshawa Harbour Commission				
		1050 Farwell Street P.O. Box 492 Oshawa, Ontario L1H 6N6 (905) 576-0400	Harbour Commission Act, 1964	Deloitte & Touche

OTHER ENTITES

Description and General Information

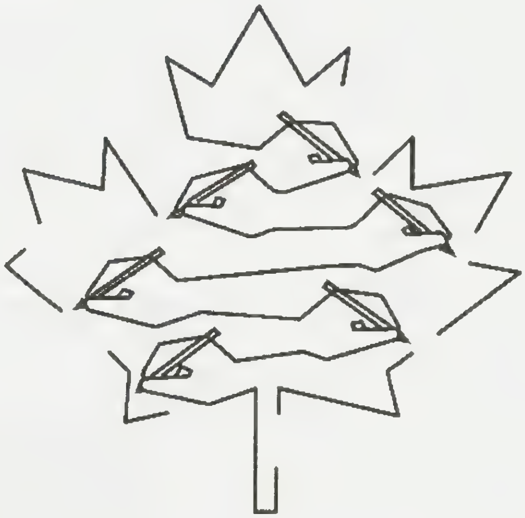
Responsible Minister/ Corporation	Mandate/ Government Objective	Head Office	Statutory Authority	Auditor
Minister of Transport (Concluded)				
Port Alberni Harbour Commission		2750 Harbour Road P.O. Box 99 Port Alberni, B.C. V9Y 7W6 (604) 723-5312	Harbour Commission Act, 1964	Newman Hill Duncan & Lacoursière
Thunder Bay Harbour Commission		100 Main St. Thunder Bay, Ontario P7B 6R8 (807) 345-6400	Harbour Commission Act, 1964	KPMG Peat Marwick Thorne
Toronto Harbour Commission		60 Harbour Street Toronto, Ontario M5J 1B7 (416) 863-2020	Toronto Harbour Commissioners Act, 1911	KPMG Peat Marwick Thorne
Windsor Harbour Commission		500 Riverside Drive W. Windsor, Ontario N9A 5K6 (519) 258-5741	Harbour Commission Act, 1964	Coopers & Lybrand
Canadian Airport Authorities				
No entities effective in this category in 1994-95.				

BANKRUPTCY AND INSOLVENCY ACT

The Superintendent of Bankruptcy has received shares in the following corporations from the trustee pursuant to the *Bankruptcy and Insolvency Act.*

1. Amertek Inc.
2. Carvern International Industries Ltd.
3. Colby Resources Corp.
4 Gemini Technology Inc.
5. Kenloch Distillers Ltd.
6. Les laboratoires Quelab Inc.

Tabling of Reports in Parliament



INTRODUCTION

The Importance of Adequate and Timely Information to Parliament

The provision of adequate and timely information to Parliament is a major objective of the control and accountability regime for Crown corporations. A well-functioning accountability framework is based on the premise that Parliament and government will receive useful information that will allow active judgment of corporate performance.

Corporations report on their performance through the corporate plan summary and the annual report. To meet that objective, Ministers responsible for Crown corporations table a Corporate Plan Summary, a Capital Budget Summary and an Annual Report in Parliament for each Crown corporation listed under Part I and Part II of Schedule III of the FAA. In addition, an Operating Budget Summary is tabled for Crown corporations listed in Part I of Schedule III.

The Corporate Plan and Budget Summaries inform Parliament of the major strategic and financial elements of each Crown corporation. The summaries are based on the approved Corporate Plan and Budgets and cover the businesses, activities and investments of a corporation and of its wholly-owned subsidiaries with respect to its future operations. The corporation's annual report informs Parliament of a corporation's performance relative to the objectives, strategies and activities approved by the government and tabled in the previous Corporate Plan and Budget Summaries.

Crown corporation reporting is monitored and the President of the Treasury Board sends a letter to Ministers responsible for Crown corporations reminding them of the requirements for timely tabling of reports in Parliament and detailing the status of reports tabled within the appropriate timeframe.

Reports Tabled in Parliament

This section of the Report shows the tablings in Parliament, by appropriate Ministers, of Crown corporation documents for the year ended July 31, 1995 pursuant to Section 152(1) of the *Financial Administration Act.*

The record of tablings of annual reports and summaries for the period of August 1, 1994 to July 31, 1995, in the following table, provides information concerning: those documents due to be tabled or tabled during the current reporting period, and those documents due to be tabled in a previous reporting period and actually tabled during the current one. In some cases the deadline falls after July 31, 1995, and as future sitting days cannot be predicted, the deadlines have not been calculated. Where the deadline has not been calculated and the report has been tabled, it is considered on time and will not be reported in future years.

Section 152(2) of the FAA requires the Auditor General of Canada to attest to the accuracy of this information in the Auditor General's annual Report to the House of Commons.

The Deadlines for Tabling in Parliament

The sitting dates used to calculate deadlines are drawn from the House of Commons *Journals* and the *Minutes of the Proceedings* of the Senate.

The deadlines for the tabling, before each House of Parliament, for the Corporate Plan Summary, Budget Summary and Annual Report are:

- ***Corporate Plan Summary***: 30 sitting days after approval by the Governor in Council of the Corporate Plan. A Summary of an amended Corporate Plan has the same deadline.
- ***Budget Summary***: (Capital and Operating Budget): 30 sitting days after Treasury Board approval of the Budget.
- ***Annual Report:*** A corporation is to submit, to the appropriate Minister, an annual report within three months of its financial year-end. The appropriate Minister has 15 sitting days to table the Annual Report in each House of Parliament.

The deadlines for tabling indicated in this report for the *Corporate Plan Summary* are calculated from the date of the Order in Council approving the Corporate Plan and those for the *Budget Summary* from the date of the Treasury Board decision letter approving the Budget. When the Operating and/or Capital Budgets are incorporated into the Corporate Plan, the Budget Summaries deadlines are the same as those for the Corporate Plan Summary. For the *Annual Report* the deadlines are calculated from the earlier of the acknowledgement date of receipt by the appropriate Minister, when available, or three months following the fiscal year-end of the corporation.

Further Information

Information on annual reports and corporate plan and budget summaries may be obtained by contacting the individual corporations. The "Corporate Abstracts" section of this Report provides additional information on individual Crown corporations.

REPORTS TABLED IN PARLIAMENT

Scheduled Parent Crown Corporations

Annual Reports and Summaries of Corporate Plans and Budgets during the year ended July 31, 1995.

DOCUMENT TO BE TABLED	House of Commons		Senate	
	Deadline	Tabled	Deadline	Tabled
Atlantic Pilotage Authority				
1994 Annual Report	08-May-95	27-Apr-95	07-Jun-95	02-May-95
1995 Capital Budget Summary	25-Mar-95	20-Mar-95	06-Jun-95	21-Mar-95
1995 Operating Budget Summary	25-Mar-95	20-Mar-95	06-Jun-95	21-Mar-95
1995/99 Corporate Plan Summary	25-Mar-95	20-Mar-95	06-Jun-95	21-Mar-95
Atomic Energy of Canada Ltd.				
1993/94 Annual Report	04-Oct-94	19-Sep-94	23-Nov-94	04-Oct-94
1994/95 Annual Report	not set yet	19-Jul-95	not set yet	not tabled
1994/95 Capital Budget Summary	24-Mar-95	24-Mar-95	05-Jun-95	23-Mar-95
1994/95 Operating Budget Summary	24-Mar-95	24-Mar-95	05-Jun-95	23-Mar-95
1994/95-1998/99 Corporate Plan Summary	24-Mar-95	24-Mar-95	05-Jun-95	23-Mar-95
Business Development Bank of Canada (Formerly Federal Business Development Bank)				
1993/94 Annual Report	07-Oct-94	19-Sep-94	30-Nov-94	04-Oct-94
1994/95 Annual Report	not set yet	21-Jun-95	not set yet	22-Jun-95
1995/96 Capital Budget Summary	14-Jun-95	05-Jun-95	not set yet	06-Jun-95
1995/96 Operating Budget Summary	14-Jun-95	05-Jun-95	not set yet	06-Jun-95
1995/96-1999/2000 Corporate Plan Summary	14-Jun-95	05-Jun-95	not set yet	06-Jun-95
Canada Deposit Insurance Corporation				
1993/94 Annual Report	07-Oct-94	19-Sep-94	30-Nov-94	04-Oct-94
1994/95 Annual Report	not set yet	19-Jul-95	not set yet	not tabled
1995/96 Operating Budget Summary	31-May-95	12-May-95	13-Jul-95	23-May-95
1995/96 Capital Budget Summary	31-May-95	12-May-95	13-Jul-95	23-May-95
1995/96-1999/2000 Corporate Plan Summary	31-May-95	12-May-95	13-Jul-95	23-May-95
Canada Development Investment Corporation				
1994 Annual Report	08-May-95	11-May-95	07-Jun-95	23-May-95
1994 Capital Budget Summary Amendment	15-Dec-94	13-Dec-94	28-Mar-95	14-Dec-94
1995 Capital Budget Summary	14-Jun-95	19-Jul-95	not set yet	not tabled
1995/99 Corporate Plan Summary	14-Jun-95	19-Jul-95	not set yet	not tabled
Canada Lands Company Ltd.				
1993/94 Annual Report	07-Oct-94	19-Sep-94	30-Nov-94	04-Oct-94
1994/95 Annual Report	not set yet	19-Jul-95	not set yet	not tabled
1995/96 Capital Budget Summary	not set yet	06-Jun-95	not set yet	07-Jun-95
1995/96 Operating Budget Summary	not set yet	06-Jun-95	not set yet	07-Jun-95
1995/96-1999/2000 Corporate Plan Summary	not set yet	06-Jun-95	not set yet	07-Jun-95
Canada Mortgage and Housing Corporation				
1994 Annual Report	08-May-95	05-May-95	07-Jun-95	09-May-95
1994 Capital Budget Summary Amendment	04-Nov-94	04-Nov-94	01-Mar-95	15-Nov-94
1994 Operating Budget Summary Amendmen	04-Nov-94	04-Nov-94	01-Mar-95	15-Nov-94
1995 Capital Budget Summary	25-Mar-95	23-Mar-95	06-Jun-95	23-Mar-95
1995 Operating Budget Summary	25-Mar-95	23-Mar-95	06-Jun-95	23-Mar-95
1995/99 Corporate Plan Summary	25-Mar-95	23-Mar-95	06-Jun-95	23-Mar-95
Canada Ports Corporation				
1994 Annual Report1	19-May-95	05-May-95	14-Jun-95	09-May-95
1995 Capital Budget Summary	01-May-95	24-Apr-95	19-Jun-95	02-May-95
1995/99 Corporate Plan Summary	01-May-95	24-Apr-95	19-Jun-95	02-May-95

DOCUMENT TO BE TABLED	House of Commons		Senate	
	Deadline	Tabled	Deadline	Tabled
Canada Post Corporation				
1993/94 Capital Budget Summary Amendment	11-Mar-94	21-Jun-95	14-Jun-94	22-Jun-95
1993/94-1997/98 Corporate Plan Summary Amendment	11-Mar-94	21-Jun-95	14-Jun-94	22-Jun-95
1994/95 Annual Report	not set yet	21-Jun-95	not set yet	22-Jun-95
1995/96 Capital Budget Summary	not set yet	21-Jun-95	not set yet	22-Jun-95
1995/96-1999/2000 Corporate Plan Summary	not set yet	21-Jun-95	not set yet	22-Jun-95
Canadian Commercial Corporation				
1994/95 Annual Report	not set yet	22-Jun-95	not set yet	27-Jun-95
1995/96 Capital Budget Summary	31-May-95	09-May-95	13-Jul-95	10-May-95
1995/96 Operating Budget Summary	31-May-95	09-May-95	13-Jul-95	10-May-95
1995/96-1999/2000 Corporate Plan Summary	31-May-95	09-May-95	13-Jul-95	10-May-95
Canadian Dairy Commission				
1993/94 Annual Report	28-Nov-94	15-Nov-94	14-Dec-94	16-Nov-94
1994/95 Capital Budget Summary	04-Nov-94	19-Oct-94	16-Mar-95	25-Oct-94
1994/95 Operating Budget Summary	04-Nov-94	19-Oct-94	16-Mar-95	25-Oct-94
1994/95-1998/99 Corporate Plan Summary	04-Nov-94	19-Oct-94	16-Mar-95	25-Oct-94
Canadian Museum of Civilization				
1993/94 Annual Report	07-Oct-94	19-Sep-94	30-Nov-94	04-Oct-94
1994/95 Capital Budget Summary	30-May-94	27-Mar-95	15-Nov-94	28-Mar-95
1994/95 Operating Budget Summary	30-May-94	27-Mar-95	15-Nov-94	28-Mar-95
1994/95-1998/99 Corporate Plan Summary	25-Mar-95	27-Mar-95	06-Jun-95	28-Mar-95
Canadian Museum of Nature				
1993/94 Annual Report	07-Oct-94	20-Sep-94	30-Nov-94	04-Oct-94
1994/95 Capital Budget Summary	30-May-94	09-Feb-95	15-Nov-94	14-Feb-95
1994/95 Operating Budget Summary	30-May-94	09-Feb-95	15-Nov-94	14-Feb-95
1994/95-1998/99 Corporate Plan Summary Amendment	25-Apr-95	not tabled	14-Jun-95	not tabled
1994/95-1998/99 Corporate Plan Summary	08-Feb-95	09-Feb-95	28-Mar-95	14-Feb-95
Canadian National Railway Company				
1994 Annual Report	04-May-95	05-Apr-95	06-Jun-95	06-Apr-95
1994 Capital Budget Summary	25-Mar-95	16-Mar-95	06-Jun-95	21-Mar-95
1994/98 Corporate Plan Summary	25-Mar-95	16-Mar-95	06-Jun-95	21-Mar-95
1995 Capital Budget Summary	25-Mar-95	16-Mar-95	06-Jun-95	21-Mar-95
1995/99 Corporate Plan Summary	25-Mar-95	16-Mar-95	06-Jun-95	21-Mar-95
Canadian Saltfish Corporation				
1993/94 Annual Report	07-Oct-94	14-Nov-94	30-Nov-94	15-Nov-94
1994/95 Capital Budget Summary	04-Nov-94	17-Oct-94	01-Mar-95	25-Oct-94
1994/95 Operating Budget Summary	04-Nov-94	17-Oct-94	01-Mar-95	25-Oct-94
1994/95 Corporate Plan Summary	04-Nov-94	17-Oct-94	01-Mar-95	25-Oct-94
Cape Breton Development Corporation				
1993/94 Annual Report	07-Oct-94	19-Sep-94	30-Nov-94	04-Oct-94
1994/95 Annual Report	not set yet	22-Jun-95	not set yet	27-Jun-95
1994/95 Capital Budget Summary	24-Oct-94	19-Sep-94	14-Feb-95	04-Oct-94
1994/95 Operating Budget Summary	24-Oct-94	19-Sep-94	14-Feb-95	04-Oct-94
1994/95-1998/99 Corporate Plan Summary	24-Oct-94	19-Sep-94	14-Feb-95	04-Oct-94
Defence Construction (1951) Ltd.				
1993/94 Annual Report	05-Oct-94	21-Jun-94	23-Nov-94	22-Jun-94
1994/95 Annual Report	not set yet	21-Jun-95	not set yet	22-Jun-95
1995/96 Capital Budget Summary	08-May-95	05-Apr-95	21-Jun-95	06-Apr-95
1995/96 Operating Budget Summary	08-May-95	05-Apr-95	21-Jun-95	06-Apr-95
1995/96-1999/2000 Corporate Plan Summary	08-May-95	05-Apr-95	21-Jun-95	06-Apr-95

DOCUMENT TO BE TABLED	House of Commons		Senate	
	Deadline	Tabled	Deadline	Tabled
Enterprise Cape Breton Corporation				
1993/94 Annual Report	07-Oct-94	22-Jun-95	30-Nov-94	27-Jun-95
1994/95 Capital Budget Summary	04-Nov-94	not tabled	01-Mar-95	not tabled
1994/95 Operating Budget Summary	04-Nov-94	not tabled	01-Mar-95	not tabled
1994/95-1998/99 Corporate Plan Summary	04-Nov-94	not tabled	01-Mar-95	not tabled
Export Development Corporation				
1994 Annual Report	08-May-95	04-Apr-95	07-Jun-95	05-Apr-95
1995 Capital Budget Summary	25-Mar-95	14-Mar-95	06-Jun-95	16-Mar-95
1995 Operating Budget Summary	25-Mar-95	14-Mar-95	06-Jun-95	16-Mar-95
1995/99 Corporate Plan Summary	25-Mar-95	14-Mar-95	06-Jun-95	16-Mar-95
Farm Credit Corporation				
1994/95 Annual Report	not set yet	20-Jun-95	not set yet	21-Jun-95
1995/96 Capital Budget Summary	14-Jun-95	20-Jun-95	not set yet	21-Jun-95
1995/96 Operating Budget Summary	14-Jun-95	20-Jun-95	not set yet	21-Jun-95
1995/96-1999/2000 Corporate Plan Summary	14-Jun-95	20-Jun-95	not set yet	21-Jun-95
Freshwater Fish Marketing Corporation				
1993/94 Annual Report	07-Oct-94	18-Nov-94	06-Dec-94	22-Nov-94
1994/95 Capital Budget Summary	24-Oct-94	26-Oct-94	14-Feb-95	27-Oct-94
1994/95 Operating Budget Summary	24-Oct-94	26-Oct-94	14-Feb-95	27-Oct-94
1994/95-1998/99 Corporate Plan Summary	24-Oct-94	26-Oct-94	14-Feb-95	27-Oct-94
Great Lakes Pilotage Authority				
1994 Annual Report	08-May-95	27-Apr-95	07-Jun-95	02-May-95
1995 Operating Budget Summary	24-Mar-95	20-Mar-95	05-Jun-95	21-Mar-95
1995 Capital Budget Summary	24-Mar-95	20-Mar-95	05-Jun-95	21-Mar-95
1995/99 Corporate Plan Summary	24-Mar-95	20-Mar-95	05-Jun-95	21-Mar-95
Halifax Port Corporation				
1994 Annual Report	08-May-95	05-May-95	07-Jun-95	09-May-95
1995 Capital Budget Summary	01-May-95	24-Apr-95	19-Jun-95	02-May-95
1995 Capital Budget Summary Amend.	not set yet	19-Jul-95	not set yet	not tabled
1995/99 Corporate Plan Summary	01-May-95	24-Apr-95	19-Jun-95	02-May-95
Laurentian Pilotage Authority				
1994 Annual Report	08-May-95	05-May-95	07-Jun-95	09-May-95
1994 Capital Budget Summary Amendment	04-Nov-94	not tabled	16-Mar-95	not tabled
1995 Operating Budget Summary	25-Mar-95	20-Mar-95	06-Jun-95	21-Mar-95
1995 Capital Budget Summary	25-Mar-95	20-Mar-95	06-Jun-95	21-Mar-95
1995/99 Corporate Plan Summary	25-Mar-95	20-Mar-95	06-Jun-95	21-Mar-95
Marine Atlantic Inc.				
1994 Annual Report	08-May-95	02-May-95	07-Jun-95	03-May-95
1995 Operating Budget Summary	25-Mar-95	14-Mar-95	06-Jun-95	16-Mar-95
1995 Capital Budget Summary	25-Mar-95	14-Mar-95	06-Jun-95	16-Mar-95
1995/99 Corporate Plan Summary	25-Mar-95	14-Mar-95	06-Jun-95	16-Mar-95
Montreal Port Corporation				
1994 Annual Report	08-May-95	05-May-95	07-Jun-95	09-May-95
1995 Capital Budget Summary	01-May-95	24-Apr-95	19-Jun-95	02-May-95
1995/99 Corporate Plan Summary	01-May-95	24-Apr-95	19-Jun-95	02-May-95
National Capital Commission				
1993/94 Annual Report	07-Oct-94	19-Sep-94	30-Nov-94	04-Oct-94
1995/96 Capital Budget Summary	07-Jun-95	06-Jun-95	not set yet	07-Jun-95
1995/96 Operating Budget Summary	07-Jun-95	06-Jun-95	not set yet	07-Jun-95
1995/96-1999/2000 Corporate Plan Summary	07-Jun-95	06-Jun-95	not set yet	07-Jun-95

DOCUMENT TO BE TABLED	House of Commons		Senate	
	Deadline	Tabled	Deadline	Tabled
National Gallery of Canada				
1993/94 Annual Report	07-Oct-94	07-Oct-94	30-Nov-94	25-Oct-94
1994/95 Capital Budget Summary	31-May-94	01-Jun-94	15-Nov-94	02-Jun-94
1994/95 Operating Budget Summary	31-May-94	01-Jun-94	15-Nov-94	02-Jun-94
1994/95-1998/99 Corporate Plan Summary	31-May-94	01-Jun-94	15-Nov-94	02-Jun-94
1995/96 Capital Budget Summary	14-Jun-95	14-Jun-95	not set yet	19-Jun-95
1995/96 Operating Budget Summary	14-Jun-95	14-Jun-95	not set yet	19-Jun-95
1995/96-1999/2000 Corporate Plan Summary	14-Jun-95	14-Jun-95	not set yet	19-Jun-95
National Museum of Science and Technology				
1993/94 Annual Report	07-Oct-94	07-Oct-94	30-Nov-94	25-Oct-94
1994/95 Capital Budget Summary	31-May-94	15-Jun-94	15-Nov-94	16-Jun-94
1994/95 Operating Budget Summary	31-May-94	15-Jun-94	15-Nov-94	16-Jun-94
1994/95-1998/99 Corporate Plan Summary	31-May-94	15-Jun-94	15-Nov-94	16-Jun-94
Old Port of Montreal Corporation Inc.				
1993/94 Annual Report	07-Oct-94	19-Sep-94	30-Nov-94	04-Oct-94
1995/96 Capital Budget Summary	09-Jun-95	06-Jun-95	not set yet	07-Jun-95
1995/96 Operating Budget Summary	09-Jun-95	06-Jun-95	not set yet	07-Jun-95
1995/96-1996/97 Corporate Plan Summary	09-Jun-95	06-Jun-95	not set yet	07-Jun-95
Pacific Pilotage Authority				
1994 Annual Report	05-May-95	27-Apr-95	07-Jun-95	02-May-95
1995 Operating Budget Summary	24-Mar-95	20-Mar-95	05-Jun-95	21-Mar-95
1995 Capital Budget Summary	24-Mar-95	20-Mar-95	05-Jun-95	21-Mar-95
1995/99 Corporate Plan Summary	24-Mar-95	20-Mar-95	05-Jun-95	21-Mar-95
Petro-Canada Ltd.				
1994 Annual Report	08-May-95	05-May-95	07-Jun-95	09-May-95
1995 Operating Budget Summary	25-Mar-95	29-Mar-95	06-Jun-95	30-Mar-95
1995 Capital Budget Summary	25-Mar-95	29-Mar-95	06-Jun-95	30-Mar-95
1995/99 Corporate Plan Summary	25-Mar-95	29-Mar-95	06-Jun-95	30-Mar-95
Port of Quebec Corporation				
1994 Annual Report	08-May-95	05-May-95	07-Jun-95	09-May-95
1995 Capital Budget Summary	01-May-95	24-Apr-95	19-Jun-95	02-May-95
1995/99 Corporate Plan Summary	01-May-95	24-Apr-95	19-Jun-95	02-May-95
Prince Rupert Port Corporation				
1994 Annual Report	08-May-95	05-May-95	07-Jun-95	09-May-95
1995 Capital Budget Summary	01-May-95	24-Apr-95	19-Jun-95	02-May-95
1995/99 Corporate Plan Summary	01-May-95	24-Apr-95	19-Jun-95	02-May-95
Queens Quay West Land Corporation				
1993/94 Annual Report	07-Oct-94	19-Sep-94	30-Nov-94	04-Oct-94
1993/94 Capital Budget Summary	27-May-93	17-Oct-94	23-Jun-93	25-Oct-94
1993/94 Operating Budget Summary	27-May-93	17-Oct-94	23-Jun-93	25-Oct-94
1993/94-1997/98 Corporate Plan Summary	04-Nov-94	17-Oct-94	16-Mar-95	25-Oct-94
1994/95 Annual Report	not set yet	21-Jun-95	not set yet	22-Jun-95
1994/95 Capital Budget Summary	04-Nov-94	17-Oct-94	16-Mar-95	25-Oct-94
1994/95-1998/99 Corporate Plan Summary	04-Nov-94	17-Oct-94	16-Mar-95	25-Oct-94
1994/95 Operating Budget Summary	04-Nov-94	17-Oct-94	16-Mar-95	25-Oct-94
1994/95 Capital Budget Summary Amendment	04-Nov-94	19-Oct-94	16-Mar-95	25-Oct-94
1995/96 Operating Budget Summary	not set yet	21-Jun-95	not set yet	22-Jun-95
1995/96 Capital Budget Summary	not set yet	21-Jun-95	not set yet	22-Jun-95
1995/96-1999/2000 Corporate Plan Summary	not set yet	21-Jun-95	not set yet	22-Jun-95

DOCUMENT TO BE TABLED	House of Commons		Senate	
	Deadline	Tabled	Deadline	Tabled
Royal Canadian Mint				
1994 Annual Report	08-May-95	24-Apr-95	07-Jun-95	02-May-95
1995 Capital Budget Summary	25-Mar-95	01-Mar-95	06-Jun-95	02-Mar-95
1995/99 Corporate Plan Summary	25-Mar-95	01-Mar-95	06-Jun-95	02-Mar-95
Saint John Port Corporation				
1994 Annual Report	08-May-95	05-May-95	07-Jun-95	09-May-95
1995 Capital Budget Summary	01-May-95	24-Apr-95	19-Jun-95	02-May-95
1995/99 Corporate Plan Summary	01-May-95	24-Apr-95	19-Jun-95	02-May-95
St. John's Port Corporation				
1994 Annual Report	08-May-95	05-May-95	07-Jun-95	09-May-95
1995 Capital Budget Summary	01-May-95	24-Apr-95	19-Jun-95	02-May-95
1995/99 Corporate Plan Summary	01-May-95	24-Apr-95	19-Jun-95	02-May-95
St. Lawrence Seaway Authority				
1993/94 Annual Report	07-Oct-94	19-Sep-94	30-Nov-94	04-Oct-94
1994/95 Annual Report	not set yet	19-Jul-95	not set yet	not tabled
1995/96 Capital Budget Summary	31-May-95	18-May-95	13-Jul-95	23-May-95
1995/96 Operating Budget Summary	31-May-95	18-May-95	13-Jul-95	23-May-95
1995/96-1999/2000 Corporate Plan Summary	31-May-95	18-May-95	13-Jul-95	23-May-95
Standards Council of Canada				
1993/94 Annual Report	07-Oct-94	19-Sep-94	30-Nov-94	04-Oct-94
1994/95 Capital Budget Summary	21-Sep-94	19-Sep-94	29-Nov-94	04-Oct-94
1994/95 Operating Budget Summary	21-Sep-94	19-Sep-94	29-Nov-94	04-Oct-94
1994/95-1998/99 Corporate Plan Summary	21-Sep-94	19-Sep-94	29-Nov-94	04-Oct-94
1995/96 Capital Budget Summary	31-May-95	16-Jun-95	13-Jul-95	20-Jun-95
1995/96 Operating Budget Summary	31-May-95	16-Jun-95	13-Jul-95	20-Jun-95
1995/96-1999/2000 Corporate Plan Summary	31-May-95	16-Jun-95	13-Jul-95	20-Jun-95
Vancouver Port Corporation				
1994 Annual Report	08-May-95	05-May-95	07-Jun-95	09-May-95
1995 Capital Budget Summary	01-May-95	24-Apr-95	19-Jun-95	02-May-95
1995/99 Corporate Plan Summary	01-May-95	24-Apr-95	19-Jun-95	02-May-95
VIA Rail Canada Inc.				
1994 Annual Report	05-May-95	27-Apr-95	07-Jun-95	02-May-95
1995 Capital Budget Summary	31-May-95	26-Apr-95	13-Jul-95	02-May-95
1995 Operating Budget Summary	31-May-95	26-Apr-95	13-Jul-95	02-May-95
1995/99 Corporate Plan Summary	31-May-95	26-Apr-95	13-Jul-95	02-May-95

1 The *Canada Ports Corporation Act* specifies that the annual report shall include the annual reports of the Local Port Corporations and that it be submitted to the appropriate Minister no later than "four months" after the financial year end. These reports are tabled as one document.

Annex

Audited financial Statements for Each Parent Crown Corporation

INTRODUCTION

The Annex contains the audited financial statements for each parent Crown corporation. Also included, where appropriate, are the financial statements of wholly-owned subsidiaries not consolidated with the statements of the parent corporation.

Much of the information in the "Overview of the Portfolio" and the "Corprate Abstracts" sections of this Report to Parliament is extracted from these audited statements. For more information, the reader may contact the corporations directly.

Each Crown corporation's annual report contains a set of audited financial statements, the auditors' opinion, management's discussion and responsibility statement, the Chairperson or President's message, and other corporate highlights on business volumes and financial indicators, often by product or geographic segment. A summary of the tabling dates for each Crown corporation annual report is shown in the "Tabling of Reports in Parliament" section of this Report. Background information including head office addresses and telephone numbers are provided in the "Corporate Abstracts" section of this Report.

ANNEX

Audited Financial Statements For Each Parent Crown Corporation

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Audited Financial Statements For Each Parent Crown Corporation

TABLE OF CONTENTS (continued)

ATLANTIC PILOTAGE AUTHORITY

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements have been prepared by the Authority's management in accordance with generally accepted accounting principles consistently applied, using management's best estimates and judgements, where appropriate. Management is responsible for the integrity and objectivity of the information in the financial statements and annual report.

Management is also responsible for a system of internal control which is designed to provide reasonable assurance that assets are safeguarded and controlled, transactions comply with relevant authorities and accounting systems provide timely, accurate financial reports.

The Authority's management recognizes the responsibility of conducting its affairs in compliance with the *Pilotage Act* and regulations, the *Financial Administration Act* and regulations, and the by-laws of the Authority.

The Authority is responsible for ensuring that management fulfils its responsibilities for financial reporting and internal control. The Authority exercises its responsibilities through its Audit Committee, which is composed of members who are not employees of the Authority. The Committee meets with management and the auditors to satisfy itself that responsibilities are properly discharged and to review the financial statements. The financial statements and annual report have been reviewed and approved by the Authority on the recommendation of the Audit Committee.

The Auditor General of Canada conducts an independent audit of the transactions and financial statements of the Authority in accordance with generally accepted auditing standards, and expresses his opinion on the financial statements. He has full and free access to the Audit Committee of the Authority, and his report follows.

C. R. Worthington
Chairman and Chief Executive Officer

M. R. McGrath
Treasurer

AUDITOR'S REPORT

TO THE MINISTER OF TRANSPORT

I have audited the balance sheet of Atlantic Pilotage Authority as at December 31, 1994 and the statements of operations, contributed capital, deficit and changes in financial position for the year then ended. These financial statements are the responsibility of the Authority's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Authority as at December 31, 1994 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles. As required by the *Financial Administration Act,* I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Authority that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Pilotage Act* and regulations, and the by-laws of the Authority.

Wm. F. Radburn, FCA
Assistant Auditor General
for the Auditor General of Canada

Ottawa, Canada
February 15, 1995

ATLANTIC PILOTAGE AUTHORITY—*Continued*

BALANCE SHEET AS AT DECEMBER 31, 1994

ASSETS	1994	1993
	$	$
Current		
Accounts receivable	933,237	776,709
Prepaid expenses	24,935	35,995
	958,172	812,704
Capital, at cost (Note 4)	2,400,998	2,384,914
Less: accumulated amortization	1,553,845	1,416,403
	847,153	968,511
	1,805,325	1,781,215

LIABILITIES	1994	1993
	$	$
Current		
Bank indebtedness	88,174	188,349
Accounts payable and accrued liabilities	585,673	613,776
Current portion of accrued employee termination benefits	85,321	32,635
	759,168	834,760
Long term		
Accrued employee termination benefits	597,465	693,355
Deferred rent (Note 5)	44,613	36,711
	642,078	730,066
	1,401,246	1,564,826
Commitments (Note 8)		
Subsequent event (Note 9)		
CONTRIBUTED CAPITAL AND DEFICIT		
Contributed capital	2,286,410	2,241,166
Deficit	(1,882,331)	(2,024,777)
	404,079	216,389
	1,805,325	1,781,215

Approved by the Authority:

C. R. WORTHINGTON
Chairman

D. MacALPINE
Member

ATLANTIC PILOTAGE AUTHORITY—*Continued*

STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 1994

	1994	1993
	$	$
Income		
Pilotage charges	6,867,165	6,870,325
Other income	35,860	35,722
	6,903,025	6,906,047
Expenses		
Pilots' fees, salaries and benefits	3,947,792	3,939,439
Pilot boats, operating costs	2,312,162	2,374,990
Staff salaries and benefits	477,941	491,531
Transportation and travel	294,985	296,156
Professional and special services	163,408	167,130
Amortization	139,494	151,437
Utilities, materials and supplies	137,429	126,861
Rentals	109,368	112,034
Communications	52,804	55,315
	7,635,383	7,714,893
Net loss for the year	732,358	808,846

STATEMENT OF CONTRIBUTED CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 1994

	1994	1993
	$	$
Balance, beginning of the year	2,241,166	2,238,642
Parliamentary appropriations to finance prior years' additions to capital assets (Note 3)	45,244	2,524
Balance, end of the year	2,286,410	2,241,166

STATEMENT OF DEFICIT
FOR THE YEAR ENDED DECEMBER 31, 1994

	1994	1993
	$	$
Balance, beginning of the year	2,024,777	1,515,931
Net loss for the year	732,358	808,846
	2,757,135	2,324,777
Parliamentary appropriations to finance cash operating losses (Note 3)	874,804	300,000
Balance, end of the year	1,882,331	2,024,777

STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED DECEMBER 31, 1994

	1994	1993
	$	$
Financing activities		
Parliamentary appropriations to finance		
Cash operating losses	874,804	804,000
Additions to capital assets	45,244	2,524
Cash provided by financing activities	920,048	806,524
Operating activities		
Cash provided by (used for) operations		
Net loss for the year	(732,358)	(808,846)
Items not requiring cash		
Amortization	139,494	151,437
Increase in accrued employee termination benefits	66,967	64,826
Increase in deferred rent	7,902	17,779
	(517,995)	(574,804)
Cash used for non-cash working capital	(173,571)	(91,626)
Employee termination benefit payments	(110,171)	
Cash used for operating activities	(801,737)	(666,430)
Investing activities		
Additions to capital assets	(18,136)	(45,244)
Cash used for investing activities	(18,136)	(45,244)
Increase in cash during the year	100,175	94,850
Bank indebtedness, beginning of the year	(188,349)	(283,199)
Bank indebtedness, end of the year	(88,174)	(188,349)

ATLANTIC PILOTAGE AUTHORITY—*Continued*

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1994

1. Objectives and activities

The Atlantic Pilotage Authority (the "Authority") was established in 1972 pursuant to the *Pilotage Act*. The objects of the Authority are to establish, operate, maintain and administer a safe and efficient pilotage service within designated Canadian waters. The Act provides that pilotage tariffs shall be fair, reasonable and sufficient, together with any revenue from other sources, to permit the Authority to operate on a self-sustaining financial basis.

The Authority is a Crown corporation listed in Schedule III, Part I of the *Financial Administration Act* and is not subject to the provisions of the *Income Tax Act*.

2. Significant accounting policies

(a) Parliamentary appropriations

When revenues are not sufficient to permit the Authority to operate on a self-sustaining financial basis, the Authority requests parliamentary appropriations to cover cash operating losses. These appropriations are recorded in the accounts when approved by Parliament and are reflected in the statement of deficit.

Parliamentary appropriations are also requested when the cash operating profits are not sufficient to provide for the purchase of capital assets. These appropriations are recorded in the accounts when approved by Parliament and are reflected in the statement of contributed capital.

(b) Amortization

Amortization of capital assets is calculated on a straight-line basis and is based on the estimated useful life of the assets as follows:

Pilot boats	10 to 25 years
Furniture and equipment	5 to 10 years

(c) Pension plan

All employees are covered by the Public Service Superannuation Plan administered by the Government of Canada. Contributions to the Plan are required from both the employee and the Authority. Contributions with respect to current service are expensed in the current period. Contributions with respect to past service benefits are expensed when paid. The Authority is not required under present legislation to make contributions with respect to actuarial deficiencies of the Public Service Superannuation Account.

(d) Employee termination benefits

Employees are entitled to specified benefits on termination as provided for under labour contracts and conditions of employment. The liability for these benefits is recorded as they accrue to the employees.

3. Parliamentary appropriations

(a) With respect to parliamentary appropriations, the following amounts were authorized and received:

Legislative Authority	Amount Authorized	Amount Received 1994	Amount Received 1993
	$	$	$
1992-93 Transport Vote 47c	1,352,524		506,524
1993-94 Transport Vote 42	620,048	320,048	300,000
1994-95 Treasury Board Vote 5*	600,000	600,000	
	2,572,572	920,048	806,524

* This allocation will be cancelled upon the release of Supply covering Supplementary Estimates for 1994-95. Funds will be transferred from existing 1994-95 Transport Vote(s).

(b) On September 29, 1994, Treasury Board approved the inclusion of an item in final Supplementary Estimates 1994-95 to be funded through an inter-vote transfer from existing Transport Canada appropriations for payment to cover the Authority's 1994 cash operating loss and capital expenditures. With respect to this item, Treasury Board approved an advance of up to $600,000 from Treasury Board Vote 5 (Government Contingencies) as reflected in Note 3(a).

4. Capital assets

	1994			1993
	Cost	Accumulated amortization	Net	Net
	$	$	$	$
Land	450		450	450
Pilot boats	2,128,174	1,314,649	813,525	921,649
Furniture and equipment		272,374	239,196	33,178
	2,400,998	1,553,845	847,153	968,511

5. Deferred rent

During 1992, the Authority was given a period of free rent, exclusive of operating costs and property taxes, as an incentive to sign a five year lease agreement for office space. The incentive is being amortized over the life of the lease.

6. Pension plan

Under the *Public Service Superannuation Act*, employees of the Authority are entitled to count service prior to becoming an employee of the Authority as pensionable. For employees who elected to purchase pension benefits with respect to past service, the Authority is required to match the employee contribution. Total past service pension expense was $11,459 in 1994 ($12,735 in 1993). The estimated unfunded past service pension contribution with respect to these employees was approximately $111,000 at December 31, 1994 ($150,000 at December 31, 1993) and will be funded over the remaining years of service of the employees, or the terms of purchase, whichever is the lesser.

ATLANTIC PILOTAGE AUTHORITY—*Concluded*

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1994—*Concluded*

7. Related party transactions

The Authority receives services from government departments and these are provided without charge. These include pilot dispatching services by the Canadian Coast Guard, through its Vessel Traffic Service Centres in Nova Scotia, New Brunswick and Newfoundland and Labrador. The cost of these services is not recorded in the accounts of the Authority.

8. Commitments

The Authority has entered into contracts for pilot boat services, office rentals, wharfage fees and wharf rentals requiring the following minimum annual payments:

	$
1995	662,115
1996	81,765
1997	12,852
	756,732

9. Subsequent event

On January 25, 1995, the Authority was successful in appealing a prior judgement against it. The judgement plus post-interest costs in the amount of $281,000 are accrued in the financial statements. The Authority has previously received a parliamentary appropiration in the amount of $350,000 to cover the costs of the original judgement. At the time these financial statements were prepared, the other party still had the right to seek leave to appeal to the Supreme Court. Any adjustments, if necessary, will be accounted for as a prior period adjustment in the year the outcome is determinable.

10. Comparative figures

Certain of the comparative figures have been reclassified to conform to the presentation adopted for the current year.

ATOMIC ENERGY OF CANADA LIMITED

MANAGEMENT RESPONSIBILITY

The consolidated financial statements, all other information presented in this Annual Report and the financial reporting process are the responsibility of the management and the board of directors of the corporation. Except for the non-recognition of future decommissioning costs, which is explained in the notes to the consolidated financial statements, these statements have been prepared in accordance with generally accepted accounting principles and include estimates based on the experience and judgement of management. In the case of decommissioning costs, the corporation has chosen, in the interest of what it considers to be a fairer overall presentation, to continue its established policy of expensing such costs as decommissioning activities take place.

The corporation and its subsidiaries maintain books of account, financial and management control, and information systems, together with management practices designed to provide reasonable assurance that reliable and accurate financial information is available on a timely basis, that assets are safeguarded and controlled, that resources are managed economically and efficiently in the attainment of corporate objectives, and that operations are carried out effectively. These systems and practices are also designed to provide reasonable assurance that transactions are in accordance with Part X of the *Financial Administration Act* and its regulations, as well as the *Canada Business Corporations Act*, the articles, and the bylaws and policies of the corporation and its subsidiaries. The corporation has met all reporting requirements established by the *Financial Administration Act*, including submission of a corporate plan, an operating budget, a capital budget and this Annual Report.

The corporation's internal auditor has the responsibility for assessing the management systems and practices of the corporation and its subsidiaries. The Auditor General of Canada conducts an independent audit of the consolidated financial statements of the corporation and reports on his audit to the Minister of Natural Resources.

The board of directors' audit committee, composed of directors who are not employees of the corporation or its subsidiaries, reviews and advises the board on the consolidated financial statements, the Auditor General's reports thereto and the plans and reports related to special examinations, and oversees the activities of internal audit. The audit committee meets with management, the internal auditor and the Auditor Genral on a regular basis.

Reid Morden
President and Chief Executive Officer

David J. Thomas
Chief Financial Officer

AUDITOR'S REPORT

TO THE MINISTER OF NATURAL RESOURCES

I have audited the consolidated balance sheet of Atomic Energy of Canada Limited as at March 31, 1995 and the consolidated statements of income, contributed capital, deficit and changes in financial position for the year then ended. These financial statements are the responsibility of the corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In common with many other organizations in the nuclear industry, the corporation incurs costs for decommissioning its facilities and for site remediation, including residual waste storage and disposal. Generally accepted accounting principles require that these costs be recognized in a rational and systematic manner over the estimated useful lives of the corresponding facilities. However, as outlined in Note 9 to the financial statements, the corporation has not estimated and recorded the total liability for these costs. Accordingly, I was not able to determine the full magnitude of the adjustment that is necessary to the expenses, the liabilities and the deficit of the corporation.

In my opinion, except for the failure to record the total liability for decommissioning and site remediation costs as described in the preceding paragraph, these consolidated financial statements present fairly, in all material respects, the financial position of the corporation as at March 31, 1995 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles. As required by the *Financial Administration Act,* I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the corporation and of its wholly-owned subsidiary that have come to my notice during my audit of the consolidated financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Canada Business Corporations Act* and the articles and by-laws of the corporation and its wholly-owned subsidiary.

Wm. F. Radburn, FCA
Assistant Auditor General
for the Auditor General of Canada

Ottawa, Canada
May 26, 1995

ATOMIC ENERGY OF CANADA LIMITED—*Continued*

CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 1995
(in thousands of dollars)

ASSETS	1995	1994
Current		
Cash and short-term investments	140,981	114,839
Accounts receivable	104,985	91,138
Current portion of long-term receivables (Note 4)	5,531	5,337
Receivable from CDIC (Note 5)	20,667	20,323
Inventory of supplies	10,009	10,615
	282,173	242,252
Heavy water inventory (Note 6)	584,406	585,646
Long-term receivables (Note 4)	3,882	8,836
Property, plant and equipment (Note 7)	7,726	11,694
	878,187	848,428

LIABILITIES	1995	1994
Current		
Accounts payable and accrued liabilities	193,097	157,388
Current portion of long-term debt (Note 8)	3,931	3,782
	197,028	161,170
Restructuring and other provisions	89,373	108,928
Deferred revenue	49,981	41,171
Accrued employee termination benefits	48,682	47,265
Long-term debt (Note 8)	19,045	22,994
	404,109	381,528
SHAREHOLDER'S EQUITY		
Capital stock		
Authorized—75,000 common shares		
Issued—54,000 common shares	15,000	15,000
Contributed capital (Note 6)	607,410	607,410
Deficit	(148,332)	(155,510)
	474,078	466,900
	878,187	848,428

Contingency (Note 11)

Approved by the Board:

EDWARD G. BYRD
Director

REID MORDEN
Director

ATOMIC ENERGY OF CANADA LIMITED—*Continued*

CONSOLIDATED STATEMENT OF INCOME
FOR THE YEAR ENDED MARCH 31, 1995
(in thousands of dollars)

	1995	1994
Nuclear Power Operations		
Revenue		
Nuclear supply and services	319,644	319,675
Interest	10,126	8,018
	329,770	327,693
Expenses		
Cost of supply and services	287,641	272,765
Product development	15,163	12,236
Marketing and administration	22,854	26,682
Interest on long-term debt	854	1,039
	326,512	312,722
Operating profit	3,258	14,971
Research and Development Operations		
Expenses	294,256	312,620
Less: commercial revenue	45,898	47,980
cost recovery from third parties	89,039	88,344
parliamentary appropriations (Note 3)	159,339	156,956
Net expense (Recovery)	(20)	19,340
Decommissioning Activities (Note 9)		
Expenses	11,560	11,195
Less: parliamentary appropriations (Note 3)	10,502	9,766
recovery from asset sales	1,058	1,429
Net expense		
Net income (loss) from Operations	3,278	(4,369)
Restructuring and other costs/drawdowns	3,900	(59,000)
Isotope production facilities write-off		(75,351)
Net income (loss)	7,178	(138,720)

CONSOLIDATED STATEMENT OF CONTRIBUTED CAPITAL
FOR THE YEAR ENDED MARCH 31, 1995
(in thousands of dollars)

	1995	1994
Contributed capital at beginning of the year	607,410	607,513
Change in repayable parliamentary appropriations		(2,381)
Parliamentary appropriations for loan principal repayment		2,278
Balance at end of the year	607,410	607,410

CONSOLIDATED STATEMENT OF DEFICIT
FOR THE YEAR ENDED MARCH 31, 1995
(in thousands of dollars)

	1995	1994
Balance at beginning of the year	(155,510)	(16,790)
Net income (loss)	7,178	(138,720)
Balance at end of the year	(148,332)	(155,510)

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED MARCH 31, 1995
(in thousands of dollars)

	1995	1994
Operating Activities		
Net income (loss)	7,178	(138,720)
Adjustments for non-cash items		
Amortization	1,896	3,712
Restructuring and other costs/drawdowns	(3,900)	59,000
Isotope production facilities write-off		75,351
	5,174	(657)
Decrease (increase) in operating working capital		
Accounts receivable	(13,847)	30,444
Inventory of supplies	606	(1,345)
Accounts payable and accrued liabilities	35,709	(19,991)
	22,468	9,108
Restructuring and other provisions	(15,655)	
Accrued employee termination benefits	1,417	(2,618)
Deferred revenue	8,810	16,726
	17,040	23,216
Cash from operations	22,214	22,559
Investing Activities		
Acquisition of property, plant and equipment, net of proceeds on disposal	(8,107)	(16,838)
Reduction of heavy water inventory	1,240	9,476
Cash used in investing	(6,867)	(7,362)
Financing Activities		
Reduction of long-term debt	(3,800)	(432,593)
Reduction of long-term notes receivable	4,416	425,912
Change in repayable parliamentary appropriations		(2,381)
Parliamentary appropriations used for property, plant and equipment and certain loan principal repayment	10,179	6,827
Cash (used in) provided by financing	10,795	(2,235)
Increase in cash and short-term investments	26,142	12,962
Cash and short-term investments at beginning of the year	114,839	101,877
Cash and short-term investments at end of the year	140,981	114,839

ATOMIC ENERGY OF CANADA LIMITED—*Continued*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 1995

1. The Corporation

Atomic Energy of Canada Limited (AECL) was incorporated in 1952 under the provisions of the *Canada Corporations Act* (and continued in 1977 under the provisions of the *Canada Business Corporations Act*)pursuant to the authority and powers of the Minister of Natural Resources under the *Atomic Energy Control Act.*

The corporation is a Schedule III Part I Crown corporation under the *Financial Administration Act.* The corporation is exempt from income taxes in Canada.

These financial statements include the accounts of the corporation's wholly-owned subsidiary, AECL Technologies Inc. (formely AECL Inc.), incorporated in the state of Delaware, U.S.A. in 1988. In April 1995, a second wholly-owned subsidiary, AECL Technologies B.V., was incorporated in the Netherlands.

2. Significant Accounting Policies

Foreign Currency Translation

Transactions denominated in a foreign currency are translated into Canadian dollars at the exchange rate in effect at the date of the transaction, except those covered by forward exchange contracts, where the rate established by the terms of the contract is used. Monetary assets and liabilities outstanding at the balance sheet date are adjusted to reflect the exchange rate in effect at that date, except those covered by forward exchange contracts, where the exchange rate established by the terms of the contract is used. Exchange gains and losses arising from the translation of foreign currencies are included in income.

Inventories

Heavy water is valued at the lower of average cost and realizable value. Supplies are valued at cost.

Property, Plant and Equipment

Property, plant and equipment are recorded at cost and this cost, net of parliamentary appropriations and third party contributions, if any, is amortized on a straight-line basis over the estimated useful life of the asset as follows:

Machinery and equipment	3 to 20 years
Buildings and land services	20 to 50 years

As further explained in Note 9, costs of decommissioning nuclear facilities are expensed as decommissioning activities take place.

Long-term Contracts

Revenue and costs on long-term contracts are accounted for by the percentage of completion method, applied on a conservative basis to recognize the absence of certainty on these contracts. Full provision is made for all estimated losses to completion of contracts in progress.

Parliamentary Appropriations

The Government of Canada, through parliamentary appropriations, funds certain operations of the corporation as outlined in Notes 3 and 6. Appropriations used to fund heavy water inventory are recorded as contributed capital. All other appropriations are recorded in the consolidated statement of income as a reduction of applicable expenses or netted against the cost of related property, plant and equipment.

Pension Plan

Employees are covered by the Public Service Superannuation Plan administered by the Government of Canada. The corporation's contributions to the Plan are limited to an amount equal to the employees' contributions on account of current service. These contributions represent the total pension obligations of the corporation and are charged to income on a current basis. The corporation is not required under present legislation to make contributions with respect to actuarial deficiencies of the Public Service Superannuation Account.

Employee Termination Benefits

Employees are entitled to specific termination benefits as provided for under collective agreements and conditions of employment. The liability for these benefits is charged to income as benefits accrue to the employees. The accumulated liability is on an actuarial determination and reviewed on a periodic basis.

Workers' Compensation

In accordance with the *Government Employees' Compensation Act*, the corporation reimburses Human Resources Development Canada for current payments for workers' compensation claims and pensions billed by the provincal compensation boards. The benefit payments are recognized as an expense in the year paid to the provincial compensation boards.

3. Parliamentary Appropriations

Parliamentary appropriations were used during the year for the following purposes:

	1995	1994
	(in thousands of dollars)	
R & D operations		
Operating costs	159,339	156,956
Property, plant and equipment	10,179	4,549
Decommissioning activities	10,502	9,766
Heavy water plant loan principal		2,278
	180,020	173,549

4. Long-term Receivables

	1995	1994
	(in thousands of dollars)	
Contract receivables, maturing through 1997	8,630	13,044
Mortgages and other receivables	783	1,129
	9,413	14,173
Current portion	5,531	5,337
	3,882	8,836

ATOMIC ENERGY OF CANADA LIMITED—*Continued*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 1995—*Continued*

5. Receivable from CDIC

On September 30, 1988, the corporation sold its shares in Nordion International Inc. (Nordion) and Theratronics International Limited (Theratronics) to Canada Development Investment Corporation (CDIC) for eventual privatization. Under the sale agreement, the corporation is to receive the proceeds from the sales less CDIC's expenses associated therewith. The sale of Nordion to a third party was completed in 1991. The CDIC receivable represents a $10.0 million holdback for general indemnity arising from this sale and a $10.7 million net book value of Theratronics as transferred to CDIC at September 30, 1988 and adjusted to include expected recovery of certain specific costs related to product recalls subsequent to the transfer date.

6. Heavy Water Inventory

The corporation's $584.4 million of heavy water inventory was substantially government-funded through repayable parliamentary appropriations. Under an arrangement with the government, the corporation is required to return all but $97 million of such funding, together with interest thereon, to the extent of revenue, net of related costs, from sales of related heavy water. Returns to the government are through dividends out of contributed capital. The corporation has heavy water inventory on lease to third parties amounting to $111.2 million.

There were no outstanding net proceeds payable to the government as at March 31, 1995 (1994—$2.5 million).

7. Property, Plant and Equipment

	1995				1994
	Cost	Parliamentary Appropriations and Third Party Funding	Accumulated Amortization	Net	Net
	(in thousands of dollars)				
Nuclear power operations					
Land and improvements	1,169	455	110	604	604
Buildings	7,680	3,548	3,541	591	899
Machinery and equipment	21,756	4,364	11,952	5,440	7,788
	30,605	8,367	15,603	6,635	9,291
Research and development operations					
Land and improvements	13,913	13,913			
Buildings	104,247	104,247			1,061
Reactors and equipment	257,984	255,545	1,348	1,091	1,342
Construction in progress	14,164	14,164			
	390,308	387,869	1,348	1,091	2,403
	420,913	396,236	16,951	7,726	11,694

Amortization of property, plant and equipment for the year ended March 31, 1995 amounted to $1.9 million (1994—$3.7 million).

ATOMIC ENERGY OF CANADA LIMITED—*Concluded*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 1995—*Concluded*

8. Long-term Debt

	1995	1994
	(in thousands of dollars)	
Loans from Government of Canada		
To finance leased heavy water and other assets, maturing through 2008 at interest rates varying from 5.625% to 8.5%	14,388	15,742
Loans from third parties		
To finance the purchase of the Glace Bay heavy water plant, maturing through 1998 at an imputed interest rate of 8.875%	8,588	11,034
	22,976	26,776
Current Portion	3,931	3,782
	19,045	22,994

Loan repayments required over succeeding years are as follows (millions of dollars): 1996—$4.0; 1997—$4.1; 1998—$4.3; 1999—$1.3; 2000-$1.1 and subsequent to 2000—$8.2.

9. Decommissioning Activities

When prototype reactors, heavy water plants, nuclear research, development and other facilities have no further commercial or research value to the corporation, they are retired and subsequently decommissioned in accordance with Atomic Energy Control Board regulations. Due to the variety of facilities, the decommissioning process may differ in each case. In some cases, decommissioning activities are carried out in stages with intervals of several decades between them to allow radioactivity to decay before moving on to the next stage. Activities include dismantling, decontamination and residual waste storage and disposal.

Estimation of future decommissioning and site remediation costs depends on the development of detailed plans, acceptable to regulatory agencies, and requires determination of the desired end-state, technology to be employed and, in some cases, research and development. The corporation has prepared a broad plan of activities to be carried out over the next four to five decades. While the cost of much of this future work could not be reasonably estimated, it has been possible to determine an amount of $300 million as the likely cost of the portion of the program for which preliminary estimates can be made. Over the next ten years, the corporation plans to incur a significant portion of this $300 million.

The corporation has not recorded the liability for these future activities because much of the future work could not be reasonably estimated and because, historically, decommissioning activities have been financed through parliamentary appropriations and by proceeds from related asset sales. The corporation expects to continue its present policy of expensing costs as decommissioning activities take place.

Decommissioning activities during the year included the commencement of a program to place the NRX reactor in a safe storage mode after 40 years of successful operation as a research reactor, as well as continuing work on other facilities at Chalk River.

10. Related Party Transactions

In addition to the transactions disclosed elsewhere in these financial statements, the corporation had the following transactions with the Government of Canada:

	1995	1994
	(in thousands of dollars)	
Repayment of loans and interest	2,223	472,552
Payments to the Public Service Superannuation Plan	12,847	13,550

In the normal course of business, the corporation also enters into various transactions with the Government of Canada, its agencies and other Crown corporations.

11. Contingency

Formal arbitration proceedings engaged by the corporation and Nordion International Inc. (Nordion) have been suspended since May 1994 pending the outcome of facilitated discussions covering various contractual matters and a legal claim made by MDS Health Group Limited and its subsidiary, Nordion, which names the corporation together with Canada Development Investment Corporation (CDIC) and the Attorney General of Canada. On both the arbitration and litigation matters, management continues to be of the view that the corporation is well positioned to defend itself should the discussions not reach a mutually acceptable solution and, as a result, no amount has been provided for in the financial statements for damages from legal proceedings.

12. Sales Agents' Remuneration

In 1995, remuneration and expenses paid to the following sales agents and representatives aggregated $7.3 million (1994—$3.8 million): B.C. Simeon Park, U.S.A.; Marubeni Corporation, Japan; Sumta Sanayi Urunleri Musavirlik Ve Ticaret A.S., Turkey; Samchang Corporation, Korea; and PII-PED International Inc., U.S.A. and Korea.

13. Comparative Figures

Certain reclassifications have been made to the 1994 comparative figures to conform with the current year's presentation.

BANK OF CANADA

AUDITORS' REPORT

We have audited the statement of assets and liabilities of the Bank of Canada as at December 31, 1994 and the statement of revenue and expense for the year then ended. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Bank as at December 31, 1994 and the results of its operations and the changes in its financial position for the year then ended in accordance with the accompanying summary of significant accounting policies applied on a basis consistent with the preceding year.

Raymond, Chabot, Martin, Paré
Chartered Accountants

Coopers & Lybrand
Chartered Accountants

Ottawa, Canada
January 20, 1995

STATEMENT OF ASSETS AND LIABILITIES AS AT DECEMBER 31, 1994
(in millions of dollars)

ASSETS	1994	1993
Deposits payable in foreign currencies		
U.S.A. dollars	521.1	295.0
Other currencies	4.2	12.0
	525.3	307.0
Advances to members of the Canadian Payments Association (Note 9)	446.8	131.0
Investments—At amortized values (Note 4)		
Treasury bills of Canada	19,146.6	16,815.6
Other securities issued or guaranteed by Canada maturing within three years	1,879.2	2,367.8
Other securities issued or guaranteed by Canada not maturing within three years	4,049.8	4,254.0
Other investments	3,575.4	4,723.1
	28,651.0	28,160.5
Bank premises (Note 5)	233.3	241.1
Other assets	193.3	205.5
	30,049.7	29,045.1

LIABILITIES	1994	1993
Capital paid up (Note 6)	5.0	5.0
Rest fund (Note 7)	25.0	25.0
Notes in circulation	28,328.7	27,236.7
Deposits		
Government of Canada	26.4	9.5
Chartered banks	586.2	1,081.4
Other members of the Canadian Payments Association	33.0	12.5
Other deposits	639.9	498.7
	1,285.5	1,602.1
Liabilities payable in foreign currencies		
Government of Canada	373.0	156.9
Other liabilities	32.5	19.4
	30,049.7	29,045.1

See accompanying notes to the financial statements.

G. G. THIESSEN
Governor

J.-P. AUBRY
Chief Accountant

BANK OF CANADA—*Continued*

STATEMENT OF REVENUE AND EXPENSE
YEAR ENDED DECEMBER 31, 1994
(in millions of dollars)

	1994	1993
Revenue		
Revenue from investments, net of interest paid on deposits of $19.1 ($17.1 in 1993)	1,704.9	1,757.6
Operating expenses		
Staff expenses (Note 2)		
Salaries	80.1	79.3
Contributions to pension and insurance funds	13.4	14.6
Travel and staff transfers	3.1	2.8
Other staff expenses	2.8	2.2
	99.4	98.9
Bank note costs	34.9	32.5
Other expenses		
Premises maintenance—Net of rental income	22.5	19.8
Taxes—Municipal and business	11.3	12.4
Directors' fees	0.1	0.1
Auditors' fees and expenses	0.4	0.6
Data processing and computer costs	7.7	8.7
Printing of publications	0.3	0.4
Other printing and stationery	2.0	2.0
Postage and express	1.5	1.5
Telecommunications	1.8	1.7
Other expenses—Net (Note 3)	2.0	2.2
	49.6	49.4
Depreciation on buildings and equipment	25.3	24.9
	209.2	205.7
Net revenue paid to Receiver General for Canada	1,495.7	1,551.9

See accompanying notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 1994

1. Significant accounting policies

The financial statements of the Bank conform to the disclosure and accounting requirements of the *Bank of Canada Act* and the Bank's by-laws. The significant accounting policies of the Bank are:

(a) Revenues and expenses

Revenues and expenses are accounted for on the accrual basis except for interest on advances to a bank ordered to be wound up where interest is recorded as received.

(b) Investments

Investments, consisting mainly of Government of Canada treasury bills and bonds, are recorded at cost adjusted for amortization of purchase discounts and premiums. The amortization as well as gains and losses on disposition are included in revenue.

(c) Translation of foreign currencies

Assets and liabilities in foreign currencies are translated to Canadian dollars at the rates of exchange prevailing at the year-end. Foreign currency assets and liabilities covered by forward contracts are converted to Canadian dollars at the contracted rates. Gains and losses from translation of, and transactions in, foreign currencies are included in revenue.

(d) Bank premises

Bank premises, consisting of land, buildings and equipment, are recorded at cost less accumulated depreciation. Depreciation is calculated on the declining balance method using the following annual rates:

Asset	Rate
Buildings	5%
Computer equipment	35%
Other equipment	20%

A full year of depreciation is charged against assets in the year of acquisition, except for projects in progress which are depreciated from the point of substantial completion. No depreciation is taken on assets in the year of disposal.

(e) Pension plan

Pension plan expense is recorded on the basis of actuarial valuations conducted in accordance with the funding requirements of the *Pension Benefits Standards Act, 1985.*

(f) Insurance

The Bank does not insure against direct risks of loss to the Bank, except for potential liabilities to third parties and where there are legal or contractual obligations to carry insurance. Any costs arising from these risks are recorded in the accounts at the time they can be reasonably estimated.

2. Staff expenses

Wages and benefits of Bank staff engaged in premises maintenance are not included in this category but rather as part of the Premises maintenance expenses.

3. Other expenses—Net

Other expenses are net of expenses recovered through fees for a variety of services provided by the Bank ($2.6 million in 1994 and $1.6 million in 1993).

4. Investments

Investments include securities of the Government of Canada totalling $434.9 million ($125.9 million in 1993) held under Purchase and Resale Agreements (PRA).

BANK OF CANADA—*Continued*

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 1994—*Continued*

5. Bank premises

	1994			1993		
	Cost	Accumulated depreciation	Net book value	Cost	Accumulated depreciation	Net book value
			(in millions of dollars)			
Land and buildings	250.9	94.8	156.1	211.4	88.2	123.2
Computer equipment	46.3	38.7	7.6	44.5	34.9	9.6
Other equipment	143.1	74.1	69.0	120.7	62.4	58.3
	440.3	207.6	232.7	376.6	185.5	191.1
Projects in progress	0.6		0.6	50.0		50.0
	440.9	207.6	233.3	426.6	185.5	241.1

6. Capital paid up

The authorized capital of the Bank is $5.0 million divided into 100,000 shares with a par value of $50.00 each. The shares are fully paid and in accordance with the *Bank of Canada Act* have been issued to the Minister of Finance, who is holding them on behalf of Canada.

7. Rest fund

The rest fund was established by the *Bank of Canada Act* and represents the general reserve of the Bank. In accordance with the Act, the rest fund was accumulated out of net revenue until it reached the stipulated maximum amount of $25.0 million in 1955. Subsequently all net revenues have been paid to the Receiver General for Canada.

8. Commitments

(a) Bank premises

As at December 31, 1994, outstanding commitments under contracts for new buildings and equipment totalled $0.6 million ($8.4 million at the end of 1993). These contracts call for payments over the next year.

(b) Foreign currency contracts

In the ordinary course of business, the Bank enters into commitments involving the purchase and sale of foreign currencies. In particular, the Bank enters into short-term foreign currency swap arrangements with the Exchange Fund Account (EFA) of the Government of Canada as part of its cash management operations within the Canadian banking system. These transactions, which are made with the concurrence of the Minister of Finance under a standing authority, involve the temporary acquisition by the Bank of foreign currency assets from the EFA. The assets are paid for in Canadian dollars at the prevailing exchange rate with a commitment to reverse the transaction at the same rate of exchange at a future date. A summary of these outstanding commitments follows.

	1994	1993
	(in millions of dollars)	
Foreign currency contracts— Purchases	66.1	60.8
—Sales	3,669.9	4,762.6

As at December 31, 1994, outstanding foreign currency contracts included sale commitments of $3,603.8 million ($4,701.8 million at the end of 1993) under swap arrangements with the EFA. The Bank of Canada is a participant in two foreign currency swap facilities with foreign central banks. The first, amouting to U.S. $2 billion, is with the U.S. Federal Reserve. The second, amounting to Can. $1 billion, is with the Banco de Mexico. At the end of 1994, there were no drawings outstanding under either facility. In early January 1995, the Mexican facility was supplemented by an additional Can. $0.5 billion short-term arrangement.

(c) Investment contracts

In the ordinary course of business, the Bank enters into commitments involving the purchase and sale of securities. A summary of these outstanding commitments follows.

	1994	1993
	(in millions of dollars)	
Investment contracts—Purchases		
—Sales	434.9	125.9

As at December 31, 1994, outstanding investment contracts included sale commitments of $434.9 million ($125.9 million at the end of 1993) under Purchase and Resale Agreements.

BANK OF CANADA—*Concluded*

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 1994—*Concluded*

9. Legal matters

Advances include a total of $27.9 million ($29.5 million at the end of 1993) provided to the Canadian Commercial Bank and the Northland Bank, for which winding-up orders have been issued by the courts. On the basis of the available information, it is the opinion of the Bank of Canada that this amount will be fully repaid from the proceeds of the liquidations.

The Bank of Canada's security for these advances includes the loan portfolios of those institutions. In the case of the Canadian Commercial Bank, the liquidator's conclusion that loans made form part of the Bank of Canada's security has been challenged with respect to portions of the portfolio and these issues are before the courts. In the Northland Bank liquidation, an issue regarding a clearing settlement made by Northland Bank to the Bank of Canada is before the courts. In the event of a final legal determination that part of the Canadian Commercial Bank's loan portfolio is not included in the security or that the Northland Bank clearing settlement is not covered under the Bank of Canada's security, it could result in some adjustment to amounts which have been recorded in income. The information available at the present time is not sufficient to estimate the magnitude of any potential adjustments.

CANADA COUNCIL

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The financial statements contained in this annual report have been prepared by Management of the Canada Council (Council) in accordance with the accounting policies set out in Note 2 to the financial statements. The integrity and objectivity of the data in these financial statements are Management's responsibility. Management is also responsible for all other information in the annual report and for ensuring that this information is consistent, where appropriate, with the information and data contained in the financial statements.

In support of its responsibility, Management has developed and maintains books of account, records, financial and management controls, information systems and management practices. These are designed to provide reasonable assurance as to the reliability of financial information, that assets are safeguarded and controlled, and that transactions are in accordance with the *Canada Council Act* and by-laws of the Council.

The Council is responsible for ensuring that Management fulfils its responsibilities for financial reporting and internal control. The Council exercises its responsibilities through the Audit Committee whose members are not officers of the Council. The Committee meets with Management and the independent external auditor to review the manner in which these groups are performing their responsibilities and to discuss auditing, internal controls and other relevant financial matters. The Audit Committee has reviewed the financial statements with the external auditor and has submitted the auditor's report to the Council. The Council has reviewed and approved the financial statements.

The Council's external auditor, the Auditor General of Canada, examines the financial statements and reports to Council and the Minister responsible for the Council.

Roch Carrier
Director

David Hendrick
Treasurer

AUDITOR'S REPORT

TO THE CANADA COUNCIL AND THE
MINISTER DESIGNATE OF CANADIAN HERITAGE

I have audited the balance sheets of the Endowment Account and Special Funds of the Canada Council as at March 31, 1995 and the statements of revenue and expense, equity and changes in financial position for the year then ended. These financial statements are the responsibility of the Council's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Council as at March 31, 1995 and the results of its operations and the changes in its financial position for the year then ended in accordance with the accounting policies set out in Note 2 to the financial statements.

Raymond Dubois, FCA
Deputy Auditor General
for the Auditor General of Canada

Ottawa, Canada
June 2, 1995

CANADA COUNCIL—*Continued*

ENDOWMENT ACCOUNT

BALANCE SHEET AS AT MARCH 31, 1995
(in thousands of dollars)

ASSETS	1995	1994
Cash and short-term deposits	6,360	4,457
Accrued investment income	1,653	1,656
Accounts receivable	427	2,109
Deferred charges	176	1,380
Investments (Note 5)	127,821	123,830
Capital assets (Note 6)	4,433	5,102
Works of art (Note 10)	17,933	17,322
	158,803	155,856

LIABILITIES	1995	1994
Bank indebtedness	3,150	
Grants payable	16,368	14,955
Accounts payable and accrued liabilities	1,314	3,273
Provision for employee termination benefits	947	1,073
Deferred credits (Note 7)	6,037	6,754
Due to Special Funds	5,476	5,534
Due to Special Trusts (Note 8)	1,142	1,214
	34,434	32,803
EQUITY		
Fund capital		
Principal	50,000	50,000
Appropriated surplus	54,272	52,062
	104,272	102,062
Contributed surplus—Works of art	17,933	17,322
Surplus	2,164	3,669
	124,369	123,053
	158,803	155,856

Approved by Management:

ROCH CARRIER
Director

DAVID HENDRICK
Treasurer

Approved by the Council:

DONNA SCOTT
Chair

CANADA COUNCIL—*Continued*

STATEMENT OF REVENUE AND EXPENSE OF THE ENDOWMENT ACCOUNT FOR THE YEAR ENDED MARCH 31, 1995 (in thousands of dollars)

	1995	1994
Revenue		
Parliamentary appropriation	98,362	99,335
Net interest and dividends (Note 9)	7,367	7,943
Net gains on disposal of investments (Note 3)	2,210	7,965
Art Bank rental fees	1,491	1,552
Cancelled grants and refunds of grants approved in previous years	348	662
Other revenue	624	431
Recovery of relocation expenses		603
	110,402	118,491
Expense		
Arts Division		
Grants (Schedule 1)	86,479	86,757
Administration (Schedule 2)	10,734	11,030
Services to the arts	1,986	2,158
Works of art—Net purchases	648	787
	99,847	100,732
Canadian Commission for Unesco		
Administration (Schedule 2)	1,108	1,407
Program	94	95
	1,202	1,502
General administration (Schedule 2)	8,648	9,491
	109,697	111,725
Excess of revenue over expense before expense reduction and restructuring	705	6,766
Expense reduction and restructuring (Note 10 (b))		780
Excess of revenue over expense for the year	705	5,986

STATEMENT OF EQUITY OF THE ENDOWMENT ACCOUNT FOR THE YEAR ENDED MARCH 31, 1995 (in thousands of dollars)

	1995	1994
Fund capital		
Principal	50,000	50,000
Appropriated surplus (Note 3)		
Balance at beginning of the year		
Prior period adjustment	52,062	44,097
Restated balance	52,062	44,097
Appropriated from surplus during the year	2,210	7,965
Balance at end of the year	54,272	52,062
Balance of Fund capital at end of the year	104,272	102,062
Contributed surplus—Works of art		
Balance at beginning of the year	17,322	16,535
Net purchases and adjustments during the year	611	787
Balance at end of the year	17,933	17,322
Surplus		
Balance at beginning of the year	3,669	5,648
Excess of revenue over expense for the year	705	5,986
Appropriated during the year (Note 3)	(2,210)	(7,965)
Balance at end of the year	2,164	3,669

STATEMENT OF CHANGES IN FINANCIAL POSITION OF THE ENDOWMENT ACCOUNT FOR THE YEAR ENDED MARCH 31, 1995 (in thousands of dollars)

	1995	1994
Operating activities		
Excess of revenue over expense for the year	705	5,986
Items not affecting cash		
Amortization	843	1,077
Employee termination benefits	(126)	(11)
	1,422	7,052
Change in non-cash operating assets and liabilities	1,496	2,532
Funds provided by operating activities	2,918	9,584
Investing activities		
Increase in investments	(3,991)	(5,999)
Acquisition of capital assets	(174)	(5,295)
Funds applied to investing activities	(4,165)	(11,294)
Decrease in funds	(1,247)	(1,710)
Cash and short-term deposits at beginning of the year	4,457	6,167
Cash position at end of the year	3,210	4,457
Composed of:		
Cash and short-term deposits	6,360	4,457
Bank indebtedness	(3,150)	
	3,210	4,457

CANADA COUNCIL—*Continued*

SPECIAL FUNDS

BALANCE SHEET AS AT MARCH 31, 1995
(in thousands of dollars)

ASSETS	1995	1994
Cash and short-term deposits	3,008	4,117
Accrued interest and accounts receivable	559	474
Investments (Note 5)	42,675	39,994
Due from Endowment Account	5,476	5,534
Musical instruments	930	930
	52,648	51,049

LIABILITIES	1995	1994
Grants payable	2,596	2,359
Accounts payable and accrued liabilities	30	62
Deferred credits		20
	2,626	2,441
EQUITY		
Fund capital		
Principal	35,306	35,306
Appropriated surplus	14,040	12,568
	49,346	47,874
Surplus	676	734
	50,022	48,608
	52,648	51,049

Approved by Management:

ROCH CARRIER
Director

DAVID HENDRICK
Treasurer

Approved by the Council:

DONNA SCOTT
Chair

CANADA COUNCIL—*Continued*

STATEMENT OF REVENUE AND EXPENSE OF THE SPECIAL FUNDS FOR THE YEAR ENDED MARCH 31, 1995
(in thousands of dollars)

	1995	1994
Revenue		
Net interest and dividends (Note 9)	2,941	2,746
Net gain on disposal of investments (Note 3)	1,472	1,729
Other revenue	68	35
	4,481	4,510
Expense		
Grants	2,633	2,456
Administration	434	380
	3,067	2,836
Excess of revenue over expense for the year	1,414	1,674

STATEMENT OF EQUITY OF THE SPECIAL FUNDS (NOTE 4) FOR THE YEAR ENDED MARCH 31, 1995
(in thousands of dollars)

	1995	1994
Fund capital		
Principal		
Balance at beginning of the year	35,306	35,180
Contributions received		187
Reduction of principal (Note 4 (i))		(61)
Balance at end of the year	35,306	35,306
Appropriated surplus (Note 3)		
Balance at beginning of the year		
Prior period adjustment	12,568	10,839
Restated balance	12,568	10,839
Appropriated from surplus during the year	1,472	1,729
Balance at end of the year	14,040	12,568
Balance of Fund capital at end of the year	49,346	47,874
Surplus		
Balance at beginning of the year	734	789
Excess of revenue over expense for the year	1,414	1,674
Appropriated during the year (Note 3)	(1,472)	(1,729)
Balance at the end of the year	676	734

STATEMENT OF CHANGES IN FINANCIAL POSITION OF THE SPECIAL FUNDS FOR THE YEAR ENDED MARCH 31, 1995
(in thousands of dollars)

	1995	1994
Operating activities		
Excess of revenue over expense for the year	1,414	1,674
Change in non-cash operating assets and liabilities	158	(1,301)
Funds applied to operating activities	1,572	373
Financing activities		
Contributions received		187
Proceeds on disposal of donated property		822
Funds provided by financing activities		1,009
Investment activities		
Increase in investments	(2,681)	(327)
(Decrease) increase in funds	(1,109)	1,055
Cash and short-term deposits at beginning of the year	4,117	3,062
Cash and short-term deposits at end of the year	3,008	4,117

CANADA COUNCIL—*Continued*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1995

1. Authority, operations and objectives

The Canada Council was established by the *Canada Council Act* in 1957 which authorized the creation of an Endowment Fund of $50 million pursuant to Section 13 of the *Act*. Except for the annual parliamentary appropriation, monies or properties donated to the Council pursuant to Section 18 of the *Act* are generally accounted for as Special Funds or Special Trusts. The Council has been assigned the functions and duties for the Canadian Commission for Unesco pursuant to paragraph 8(2) of the *Act*. The Council is not an agent of Her Majesty. Its objectives are to foster and promote the study, enjoyment and production of works, in the arts.

2. Significant accounting policies

The most significant accounting policies are:

(a) Investments

Equities, bonds, debentures and mortgages are recorded at cost. Special Funds with capital in excess of $250,000 and received after January 1, 1990 are merged with the Endowment Account. The participation of each fund is calculated on the basis of market value as at the date the monies are received. Interest, dividends, gains and losses on disposal of investments are allocated to each fund based on the percentages established at the beginning of each quarter.

Special Funds with capital of less than $250,000 and Special Trusts earn interest calculated quarterly using the ninety day Treasury Bill rate at the beginning of the quarter.

Investments are written down to market value when the loss in value is considered to be a permanent decline.

Premiums and discounts on fixed term investments are not amortized but are included in gains and losses on disposal.

(b) Foreign currency transactions

Foreign currency transactions are translated into Canadian dollars at the exchange rate in effect at the transaction date. Monetary assets and liabilities denominated in foreign currency are translated into Canadian dollars at the historical rate of exchange.

(c) Capital assets

Equipment and leasehold improvements are recorded at cost and amortized over their estimated useful lives on the straight-line method, as follows:

Computer and other equipment	5 years
Leasehold improvements	term of the lease

Gains and losses on disposals are netted against the amortization expense in the year of disposal.

(d) Works of art

Works of art acquired by the Canada Council Art Bank are recorded at laid-down cost and no amortization is recorded.

(e) Donated property—Special Funds

Donated property is recorded at appraised value and the amount is credited to the principal of the fund capital.

(f) Musical instruments—Special Funds

Musical instruments are recorded at cost and no amortization is recorded.

(g) Special Funds and Special Trusts

Special Funds and Special Trusts include amounts received by the Canada Council by way of bequest, gift or donation and may be specific as to purpose.

Special Funds are managed at the full discretion of the Canada Council and are invested in accordance with the policies of the Endowment Fund.

Special Trusts are either managed or allowed to have their capital drawn down, in accordance with the donor's wishes.

(h) Employee termination benefits

Employees are entitled to specific termination benefits as provided for under the Council's policy and conditions of employment. The cost of these benefits is expensed in the year in which they accrue to employees.

(i) Contributed surplus—Works of art

Amounts paid during the year for the purchase of works of art acquired by the Canada Council Art Bank are expensed. Such purchases, net of any proceeds from sales of works of art, are then capitalized as contributed surplus—Works of art.

(j) Capitalization of net income of Special Funds

The Council normally capitalizes 10% of the revenue less administration expenses of the Izaak Walton Killam Memorial Fund for Advanced Studies and the Killam Special Scholarship Fund, in accordance with advice received from the trustees of these Funds in order to preserve the equity for future beneficiaries. However, the Council reserves the right to draw at any time on the accumulated net income capitalized, for the purposes of the funds.

(k) Pension plan

Employees participate in the Public Service Superannuation Plan administered by the Government of Canada. The employees and the Council contribute equally to the cost of the Plan. This contribution represents the total liability of the Council. The Council is not required to make contributions with respect to actuarial deficiencies of the Public Service Superannuation Account.

(l) Parliamentary appropriations

Parliamentary appropriations to the Council are recorded as revenue in the year in which they are approved by Parliament.

(m) Grants and services

Grants are recorded as an expense in the year for which they are approved by Council. Cancelled grants and refunds of grants approved in previous years are shown as revenue.

Services to the arts, which include juries, advisory committees, prizes and other costs that directly serve artists or the arts community, are recorded as expenses in the year in which they are incurred.

CANADA COUNCIL—*Continued*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1995—*Continued*

3. Change in accounting policy

Accounting for gains and losses on disposal of investments

During the year, Council applied retroactively a change in its method of accounting for gains and losses on the disposal of investments. These gains and losses were previously credited or debited to the Fund capital; they are now recorded on the Statement of Revenue and Expense.

Within the Fund capital, the Council has approved a resolution to consider the accumulated net gains on disposal as appropriated surplus. In addition, approval has been received for the appropriation of Surplus to the Fund capital as at March 31, 1995 of $2,210,000 for the Endowment Account and $1,472,000 for the Special Funds in order to provide for the continued growth of fund capital.

The impact of this change in accounting policy on the financial statements is as follows:

Endowment Account

(i) Impact on the Statement of Equity

The accumulated net gains on disposal of investments credited to the Fund capital, of $52,062,000 ($44,097,000 as at March 31, 1994), have been identified as appropriations from Surplus to the Fund capital and are considered as a prior period adjustment.

(ii) Impact on the Statement of Revenue and Expense

The excess of revenues over expenses for the years ending March 31, 1995 and 1994 has increased by $2,210,000 and $7,965,000 respectively.

Special Funds

(i) Impact on the Statement of Equity

The accumulated net gains on disposal of investments credited to the Fund capital, of $12,568,000 ($10,839,000 as at March 31,1994), have been identified as appropriations from Surplus to the Fund capital and are considered as a prior period adjustment.

(ii) Impact on the Statement of Revenue and Expense

The excess of revenues over expenses for the years ending March 31, 1995 and 1994 has increased by $1,472,000 and $1,729,000 respectively.

4. Special Funds

(a) Izaak Walton Killam Memorial

A bequest of $12,339,615 in cash and securities was received from the estate of Mrs. Dorothy J. Killam. The net income from this fund is to be used "to provide scholarships for advanced study or research in any field of study or research other than the 'arts' as presently defined in the *Canada Council Act* and not limited to the 'humanities and social sciences' referred to in such *Act*".

The bequest contains the provision that the Fund shall not form part of the Endowment Account or otherwise be merged with any assets of the Council, and in the event that the Canada Council should ever be liquidated or its existence terminated or its powers and authority changed so that it is no longer able to administer any Killam Trust, the assets forming any such Killam Trust shall thereupon be paid over to certain universities which have also benefited under the will. The cash and securities received and the proceeds have been invested in a separate portfolio.

The fund equity as at March 31, 1995 was $20,936,946 (1994—$20,165,374).

(b) Killam Special Scholarship

This fund was established by way of securities received from Mrs. Dorothy J. Killam. Dividends and proceeds from the redemption of those securities amounted to $13,653,344.

The net income from this fund is available to provide fellowship grants to Canadians for advanced study or research in the fields of medicine, science and engineering.

The fund equity as at March 31, 1995 was $19,975,413 (1994—$19,470,628).

(c) Jean A. Chalmers

An endowment of $500,000 in cash was received from Mrs. Floyd S. Chalmers to establish a special Jean A. Chalmers Fund for the crafts. In consultation with the Canadian Crafts Council, the income of the fund is used to provide a small number of special project grants for the development or advancement of the crafts in Canada.

The fund equity as at March 31, 1995 was $510,393 (1994—$516,033).

(d) Molson Prize

Gifts of $1,000,000 were received from the Molson Foundation for the establishment of the Molson Prize Fund. The income of the fund is used for awarding cash prizes to Canadians "for outstanding achievement in the fields of the Arts, the Humanities or the Social Sciences".

The fund equity as at March 31, 1995 was $1,797,651 (1994—$1,767,233).

(e) Lynch-Staunton

This fund was established by a bequest in cash of $699,066 received from the estate of V.M. Lynch-Staunton, the income from which is available for the regular programs of the Council.

The fund equity as at March 31, 1995 was $1,759,411 (1994—$1,728,163).

(f) Vida Peene

This fund was established by a bequest in cash of $599,761 received from Vida Peene to provide payments to specified organizations.

The fund equity as at March 31, 1995 was $599,761 (1994—$599,761).

CANADA COUNCIL—*Continued*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1995—*Continued*

(g) Joseph S. Stauffer

This fund was established by bequests in cash totalling $400,000 from the estate of Joseph S. Stauffer, the income from which is to provide prizes to encourage promising young Canadians in the fields of music, visual arts and literature.

The fund equity as at March 31, 1995 was $458,589 (1994—$446,748).

(h) John G. Diefenbaker

The Council received an endowment of $1,000,000 from the Government of Canada. The income from this endowment is to be used to provide an annual grant to a German scholar to engage in research or advanced studies in Canada.

The fund equity as at March 31, 1995 was $1,173,109 (1994—$1,157,830).

(i) Coburn Fellowship

During the year ended March 31, 1994, the property received in 1993 from the estate of Kathleen Coburn was sold. The sale of property resulted in a reduction of $61,205 to the capital account for this fund, finalizing the total bequest at $945,363. The income from the fund is to provide for exchanges of scholars between Israël and Canada.

The fund equity as at March 31, 1995 was $1,042,910 (1994—$979,675).

(j) Other

The following Special Funds have an original capital of less than $250,000 and have a total fund equity as at March 31, 1995 of $1,768,387 (1994—$1,776,396).

(i) Frances Elizabeth Barwick and J.P. Barwick

Bequests totalling $93,000 in cash were received from the estates of Mrs. Frances Elizabeth Barwick and J.P. Barwick. The total fund is to be used for the benefit of the musical arts and is being used for the Council's Musical Instrument Bank.

(ii) John B.C. Watkins

This fund was established by a bequest consisting of the net income from the residue of the estate of the late John B.C. Watkins to provide scholarships for post-graduate studies.

(iii) The Duke and Duchess of York Prize in Photography

The Council received an endowment of $170,000 from the Government of Canada to mark the occasion of the marriage of The Duke and Duchess of York. The income from this endowment is to be used to provide an annual scholarship to a professional artist for personal creative work or advanced study in photography.

(iv) Petro Canada Award

Petro Canada donated $50,000 toward an award in the media arts. The income from this donation is to be used to provide an award every two years to an artist who has achieved outstanding and innovative use of new technology in the media arts.

(v) Ronald J. Thom Award

The Council was the beneficiary of donations totalling $106,898 to provide an award every two years "to a candidate in the early stages of his or her career in architecture, who demonstrates outstanding creative talent in architectural design and a sensitivity to its allied arts".

(k) Funds will eventually be received from the following bequests:

(i) Edith Davis Webb

This fund, estimated at $400,000, is intended "for the purpose of making grants or establishing scholarships for musical study in such manner as the Council shall determine".

(ii) John Stephen Hirsch

This fund, the amount of which cannot be determined at this time, is being established from the estate of John Hirsch for specific purposes. An interim distribution of $113,000 has been received from the estate.

5. Investments

	1995		1994	
	Cost	Market value	Cost	Market value
	(in thousands of dollars)			
Endowment Account				
Bonds and debentures	57,468	57,580	54,620	54,544
Equities	69,831	85,206	67,902	87,793
Mortgages	522	522	1,308	1,308
	127,821	143,308	123,830	143,645
Special Funds				
Bonds and debentures	20,635	20,380	18,616	18,053
Equities	21,913	24,396	21,223	24,614
Mortgages	127	127	155	155
	42,675	44,903	39,994	42,822

CANADA COUNCIL—*Continued*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1995—*Continued*

6. Capital assets

	1995			1994
	Cost	Accumulated amortization	Net book value	Net book value
	(in thousands of dollars)			
Computer equipment	2,627	1,769	858	1,092
Other equipment	1,294	1,171	123	111
Leasehold improvements	5,205	1,753	3,452	3,899
	9,126	4,693	4,433	5,102

7. Deferred credits

	1995	1994
	(in thousands of dollars)	
Deferred lease inducement	4,722	5,367
Deferred rent	480	600
Art Bank		
—Rentals of works of art	469	421
Canadian Commission for Unesco	336	361
Other	30	5
	6,037	6,754

The deferred lease inducement represents an inducement payment received from the landlord and is being amortized against rental accommodation expense over the term of the lease. Deferred rent represents an amount received from another federal government agency to cover the rental of space over the next four years. Amounts from the Canadian Commission for Unesco represent funds received for specific programs for which expenses have not yet been incurred. Funds received during the year amounted to $585,000, funds expended during the year amounted to $610,000.

8. Due to Special Trusts

These funds have been accounted for separately due to special conditions related to the donations. Trusts with balances exceeding $50,000 are:

(i) Glenn Gould Prize Fund

The Council has received $525,113 from the Glenn Gould Memorial Foundation to provide a prize of $50,000 every three years (funds permitting) to an outstanding individual for his or her original contribution to the field of music and communications. As at March 31, 1995, the balance stood at $910,864 (1994—$856,314).

(ii) Visiting Foreign Artists Program

The Visiting Foreign Artists Program is administered by the Arts Awards Service of the Canada Council on behalf of the Department of External Affairs. It is a residency program through which Canadian professional arts organizations receive assistance to invite distinguished foreign artists from any country outside Canada for periods ranging from two weeks to four months. As at March 31, 1995, the balance stood at $45,427 (1994—$62,182).

(iii) Japan-Canada Fund

The Council received an endowment of $966,651 from the Government of Japan "to further strengthen the relations between Canada and Japan". After consultations with the Embassy of Japan, the endowment is to be used to fund programs that will encourage artistic exchange between the two countries. As at March 31, 1995, the balance stood at $304,242 (1994—$372,483).

9. Net interest and dividends

	1995	1994
	(in thousands of dollars)	
Endowment Account		
Interest and dividends	7,883	8,479
Investment portfolio management costs	(516)	(536)
Net interest and dividends	7,367	7,943
Special Funds		
Interest and dividends	3,080	2,912
Investment portfolio management costs	(139)	(166)
Net interest and dividends	2,941	2,746

10. Expense reduction and restructuring

(a) On March 1st, 1995 the Canada Council released its Strategic Plan entitled The Canada Council: A Design for the Future. The Plan calls for Council to undertake a major restructuring of its program and administrative sections that will reduce administrative costs by $10 million over the next three years. As at March 31, 1995, no decisions had been made regarding the new structure and accordingly no reduction or restructuring costs have been recorded.

In addition, the Council will withdraw from the Art Bank program activity and will establish a committee of senior professionals in the visual arts to make recommendations to Council regarding the future of its collection of artworks. At this time, no decision has been made. For the year ended March 31, 1995, Art Bank expenses exceeded revenues by $2,236,000 which included $470,000 of deferred expenses written off during the year (1994—$1,899,000).

(b) As part of a plan to reduce administrative costs, on March 22, 1994, the Council adopted a motion aimed at reducing the salary envelope through voluntary retirements and layoffs. The estimated cost of the severance packages was $780,000 and this amount was accrued as at March 31, 1994.

11. Commitments

(a) Payments of grants extending into future years are subject to the provision of funds by Parliament. Future year grants approved prior to March 31, 1995 are payable as follows:

	(in thousands of dollars)
1996	15,367
1997	13,775

CANADA COUNCIL—*Concluded*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1995—*Concluded*

(b) The Council is party to long-term leases with respect to rental accommodation. The aggregate minimum annual rental is as follows:

	(in thousands of dollars)
1996	3,395
1997	3,412
1998	3,457
1999	3,634
2000	2,983
2001-2004	9,170

The annual rentals have been reduced as a result of subleases with Public Works and Government Services Canada.

12. Related party transactions

In addition to those related party transactions disclosed elsewhere in these financial statements, the Council enters into transactions with Government of Canada departments, agencies and Crown Corporations in the normal course of business, at the same trade terms applicable to all individuals and enterprises.

SCHEDULE OF GRANT EXPENSES BY SECTION
OF THE ENDOWMENT ACCOUNT
FOR THE YEAR ENDED MARCH 31, 1995
(in thousands of dollars) SCHEDULE 1

	1995	1994
Theatre	16,408	16,351
Music	14,822	15,038
Writing and Publishing	12,311	12,370
Arts Awards	10,088	10,092
Dance	10,000	10,020
Public Lending Right Commission	6,184	6,214
Visual Arts	5,388	5,401
Media Arts	4,271	4,271
Touring Office	4,008	4,028
Explorations	2,954	2,954
Other	45	18
	86,479	86,757

SCHEDULE OF ADMINISTRATION EXPENSES
OF THE ENDOWMENT ACCOUNT
FOR THE YEAR ENDED MARCH 31, 1995
(in thousands of dollars) SCHEDULE 2

	Arts	Canadian Commission for Unesco	General	Total 1995	Total 1994
Salaries	6,139	754	3,860	10,753	11,579
Employee benefits	1,059	114	632	1,805	2,198
Office accommodation	1,789		1,663	3,452	2,993
Professional and special services	592	20	915	1,527	1,080
Amortization	66		777	843	1,077
Staff travel	520	60	104	684	614
Communications	269	30	191	490	502
Informatics	14		228	242	477
Meeting expenses including members' honoraria	42	101	83	226	230
Printing, publications and duplicating	109	25	61	195	283
Office expenses and equipment	48	4	122	174	203
Relocation expenses					603
Miscellaneous	87		12	99	89
	10,734	1,108	8,648	20,490	21,928

CANADA DEPOSIT INSURANCE CORPORATION

MANAGEMENT RESPONSIBILITY FOR FINANCIAL STATEMENTS

The accompanying financial statements of the Canada Deposit Insurance Corporation and all the information in this annual report are the responsibility of management. The financial statements have been approved by the Board of Directors. They include some amounts, such as the allowance for losses on loans and claims receivable, the provision for guarantees and the general provision for loss, that are necessarily based on management's best estimates and judgement.

The financial statements have been prepared by management in accordance with generally accepted accounting principles. Financial information presented elsewhere in the Annual Report is consistent with that contained in the financial statements.

In discharging its responsibility for the integrity and fairness of the financial statements, management maintains financial and management control systems and practices designed to provide reasonable assurance that transactions are authorized, assets are safeguarded and proper records are maintained in accordance with the *Financial Administration Act* and regulations as well as the *Canada Deposit Insurance Corporation Act* and by-laws of the Corporation. The system of internal control is augmented by internal audit, which conducts periodic reviews of different aspects of the Corporation's operations. In addition, the internal and external auditors have free access to the audit committee of the Board, which oversees management's responsibilities for maintaining adequate control systems and the quality of financial reporting and recommending the Annual Report and financial statements to the Board of Directors.

These financial statements have been audited by the Corporation's auditor, the Auditor General of Canada, and his report is included herein.

J. P. Sabourin
President and Chief Executive Officer

Johanne R. Lanthier
Vice-President, Finance

AUDITOR'S REPORT

TO THE MINISTER OF FINANCE

I have audited the balance sheet of the Canada Deposit Insurance Corporation as at March 31, 1995 and the statements of operations and deposit insurance fund and changes in financial position for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 1995 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles. As required by the *Financial Administration Act*, I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Corporation that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Canada Deposit Insurance Corporation Act* and the by-laws of the Corporation.

L. Denis Desautels, FCA
Auditor General of Canada

Ottawa, Canada
June 2, 1995

CANADA DEPOSIT INSURANCE CORPORATION—*Continued*

BALANCE SHEET AS AT MARCH 31, 1995
(in thousands of dollars)

ASSETS	1995	1994
Cash and short term investments	55,814	26,091
Premiums and other accounts receivable	13,364	6,649
Deferred interest expense		7,464
Capital assets	1,815	1,982
	70,993	42,186
Loans receivable (Note 3)	270,570	1,049,338
Claims receivable (Note 3)	1,276,607	1,742,077
	1,547,177	2,791,415
Allowance for losses on loans and claims receivable (Note 5)	(501,000)	(446,000)
	1,046,177	2,345,415
	1,117,170	2,387,601

LIABILITIES	1995	1994
Accounts payable	32,400	28,709
Provision for guarantees (Notes 4 and 5)	407,483	629,448
General provision for loss (Note 5)	250,000	200,000
Loans from the Consolidated Revenue Fund (Note 6)	2,174,423	3,177,096
	2,864,306	4,035,253
DEPOSIT INSURANCE FUND		
Deficit, end of period	(1,747,136)	(1,647,652)
	1,117,170	2,387,601

Approved by the Board:

G.L. REUBER
Chairman

H. MARCEL CARON
Director

CANADA DEPOSIT INSURANCE CORPORATION—*Continued*

STATEMENT OF OPERATIONS AND DEPOSIT INSURANCE FUND
FOR THE YEAR ENDED MARCH 31, 1995
(in thousands of dollars)

	1995 (12 months)	1994 (15 months)
Revenues		
Premiums	513,050	391,161
Interest on cash and short-term investments	8,697	7,081
Other revenue	9,948	11,054
	531,695	409,296
Expenses		
Provision for loss (Note 5)	430,101	108,500
Interest on loans from the Consolidated Revenue Fund (Note 6)	181,959	269,679
Operating and intervention expenses (Note 10)	19,109	26,219
Other interest	10	1,893
	631,179	406,291
Gain (loss) from operations	(99,484)	3,005
Deficit, beginning of period	(1,647,652)	(1,450,657)
Retroactive adjustment		(200,000)
Deficit, end of period	(1,747,136)	(1,647,652)

STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED MARCH 31, 1995
(in thousands of dollars)

	1995 (12 months)	1994 (15 months)
Operating Activities		
Gain (loss) from operations	(99,484)	3,005
Non-cash items included in gain (loss) from operations		
Provisions for loss	430,101	108,500
Other	(6,687)	100
Payment of guarantees	(104,066)	(64,552)
Loans disbursed	(2,376)	(157,459)
Loans recovered	651,143	618,159
Claims paid	(872,779)	(1,350,912)
Claims recovered	1,025,249	1,047,768
Cash provided by operating activities	1,021,101	204,609
Investing Activities		
Purchase of capital assets—Net	(378)	(586)
Financing Activities		
Loans from the Consolidated Revenue Fund		
Advances	350,000	1,230,000
Repayments	(1,341,000)	(1,729,000)
Cash used in financing activities	(991,000)	(499,000)
Cash and short-term investments		
Increase (decrease) during the period	29,723	(294,977)
Balance, beginning of period	26,091	321,068
Balance, end of period	55,814	26,091

CANADA DEPOSIT INSURANCE CORPORATION—*Continued*

NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 1995

1. Authority and Objective

The Corporation was established in 1967 by the *Canada Deposit Insurance Corporation Act* (the *CDIC Act*). It is a Crown corporation named in Part I of Schedule III to the *Financial Administration Act*.

The objects of the Corporation are to provide insurance against the loss of part or all of deposits, to be instrumental in the promotion of standards of sound business and financial practices for member institutions, and to promote and otherwise contribute to the stability and competitiveness of the financial system in Canada. These objects are to be pursued for the benefit of depositors of member institutions and in such manner as will minimize the exposure of the Corporation to loss.

The Corporation has the power to do all things necessary or incidental in the furtherance of its objects including acquiring assets from, and providing guarantees or loans to, a member institution. It may make or cause to be made inspections of member institutions, prescribe standards of sound business and financial practices, and act as liquidator, receiver or inspector of a member institution or a subsidiary thereof.

2. Significant Accounting Policies

Basis of Preparation

These financial statements have been prepared in accordance with generally accepted accounting principles.

These financial statements do not reflect the assets, liabilities or operations of member institutions in which the Corporation has intervened.

Premium Revenue

Premiums are recognized when assessed and are based on insured deposits with member institutions as at April 30 of each year. Premiums are collectible in two equal instalments, on June 30 and December 31.

Interest Revenue

The Corporation charges interest on loans it disburses in accordance with the specific terms of the loan agreements. This interest continues to accrue to the benefit of the Corporation but is not recognized in the accounts when an insolvent member institution is placed in liquidation or when there is a reasonable doubt as to the ultimate collectibility of the interest. In such cases, cash receipts are recognized as a reduction of the loan principal until such time as the loans are retired. Subsequent cash receipts are recognized as interest revenue on a cash basis.

Excess Recoveries in Claims

From time to time, the Corporation collects amounts previously written-off in claims receivable. Also, when the total amount available from an estate exceeds the Corporation's claim, the Corporation may be entitled to interest on its claims. In such cases, the excess recovery and/or the interest on the claims is recorded as income on a cash basis.

Provisions for Loss

CDIC has three types of provisions for loss in its financial statements. The factors affecting the provisions for loss may vary; accordingly actual losses may differ from the Corporation's estimates.

Loans and Claims Receivable—The allowance for losses on loans and claims receivable is determined on an annual basis and reflects the Corporation's best estimate of losses in respect of claims against insolvent member institutions arising from payments made to insured depositors and loans made to member institutions and others under a loan agreement. The allowance is established by assessing, among other things, business plans—Which include asset disposition strategies, forecasted distributions to creditors, the requirement to refund advances received against future distributions, commitments under various agreements—And other information provided by the liquidators of the various estates and/or agents acting on behalf of the Corporation.

Guarantees—In facilitating the restructuring of member institutions, CDIC may provide certain guarantees. The amount, determined on an annual basis, to cover these guarantees is based on the estimated future cash requirements to meet these obligations.

General—The general provision for loss is determined on an annual basis and reflects the Corporation's best estimate of losses on insured deposits of member institutions. The provision is established by assessing the aggregate risk in the member institutions based on current market and economic conditions and applying historical loss experience.

3. Loans and Claims Receivable

Claims against insolvent member institutions arise through the subrogation of the rights and interests of the depositor when the Corporation pays that depositor's claim. The Corporation also asserts a claim against insolvent member institutions in liquidation, arising out of loans previously disbursed by the Corporation. The Corporation is asserting claims against all the insolvent member institutions that have been placed in liquidation. During the year, two member institutions, Confederation Trust and Income Trust, were placed in liquidation. In respect of these two members, the Corporation paid $873 million in claims relating to their insured deposits and has so far recovered $474 million.

Under the general powers of subsection 10(1) of the *CDIC Act*, the Corporation made secured loans to member institutions and others through the provisions of loan agreements. No new loan agreements were entered into during the year.

4. Provision for Guarantees

The Corporation has $2.66 billion (1994: $2.86 billion) outstanding in guarantees to certain member institutions under deficiency coverage agreements. These guarantees were provided in respect of potential principal and income losses on eligible assets of these member institutions. Of the $497 million estimated loss recognized on these guarantees (1994: $615 million), $36 million remains unpaid (1994: $550 million). The guarantees will continue to be in force, on a diminishing basis, until the year 2002.

The Corporation also provided an interest rate spread guarantee of $170 million to a member institution of which $43 million remains unpaid (1994: $79 million).

CANADA DEPOSIT INSURANCE CORPORATION—*Continued*

NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 1995—*Continued*

5. Provisions for Loss

The following table is a continuity schedule for the provisions for loss on loans and claims receivable, guarantees and the general provision as at March 31, 1995.

	1995				1994
	Loans and claims receivable	Guarantees	General provision	Total	Total
	(in thousands of dollars)				
Beginning of period	446,000	629,448	200,000	1,275,448	1,031,500
Adjusments for prior years					200,000
Provision for loss	498,000	(117,899)	50,000	430,101	108,500
Write-offs	(443,000)			(443,000)	
Payment of guarantees		(104,066)		(104,066)	(64,552)
End of period	501,000	407,483	250,000	1,158,483	1,275,448

6. Loans from the Consolidated Revenue Fund

With Governor in Council approval, the Corporation can borrow up to $6 billion from the Consolidated Revenue Fund.

As at March 31, 1995, the Corporation has $2,174 million in outstanding loans including accrued interest of $14 million (March 31, 1994: $3,177 million including accrued interest of $26 million).

These loans bear interest at various annual rates ranging from 4.490 percent to 8.342 percent and are repayable according to the following schedule:

Period ending March 31	Amount (in millions of dollars)
1996	828
1997	872
1998	460
	2,160

7. Income Taxes

The Corporation is subject to federal income tax and has available losses that can be carried forward to reduce future years' earnings for tax purposes.

Such losses total $1,177 million and expire as follows:

Year	Amount (in millions of dollars)
1996	144.4
1997	143.3
1998	141.8
1999	224.1
2000	224.6
2001	96.4
2002	202.4
	1,177.0

CANADA DEPOSIT INSURANCE CORPORATION—*Concluded*

NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 1995—*Concluded*

8. Contingent Liabilities

The Corporation is a defendant in a number of judicial actions arising out of the collapse or insolvency of various member institutions. In addition, the Corporation has entered into financing arrangements for specified periods with the liquidators or agents and third parties to enable advance distributions to be made from certain estates or to facilitate the restructuring of a troubled member institution (1995: $665 million; 1994: $165 million). Amounts received under these agreements are subject to early repayment should certain conditions or circumstances apply.

The Corporation does not believe it has any liability as a result of these actions or under these agreements and has therefore not provided for any potential claims.

9. Insured Deposits

Deposits insured by the Corporation, on the basis of returns received from member institutions, as at April 30, 1994 and 1993, were as follows:

	1994	1993
	(in billions of dollars)	
Federal Institutions	291	282
Provincial Institutions	17	21
	308	303

In accordance with paragraph 21(1)(b) of the *CDIC Act*, the premium rate for the premium year 1995 was set at one-sixth of one percent of insured deposits, the same rate as in 1994 (one-eighth of one percent for 1993).

10. Operating and Intervention Expenses

	March 31, 1995 (12 months)	March 31, 1994 (12 months)	March 31, 1994 (15 months)
	(in thousands of dollars)		
Salaries and other personnel costs	6,346	6,608	8,290
Inspection, legal and other fees	5,897	8,055	9,741
General expenses	2,721	2,841	3,287
Premises	2,322	2,192	2,896
Data processing	1,823	1,592	2,005
	19,109	21,288	26,219
Operating expenses	14,096	13,823	17,597
Intervention expenses	5,013	7,465	8,622
	19,109	21,288	26,219

11. Comparative Figures

Certain of the 1994 figures have been reclassified to conform with the presentation adopted for 1995.

CANADA DEVELOPMENT INVESTMENT CORPORATION

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The accompanying consolidated financial statements of Canada Development Investment Corporation are the responsibility of management and have been approved by the Board of Directors.

The consolidated financial statements have been prepared by management in accordance with generally accepted accounting principles. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances. Financial statements are not precise since they include certain amounts based on best estimates and judgments. Management has prepared the financial information presented elsewhere in this annual report and has ensured that it is consistent with that in the financial statements.

CDIC maintains systems of internal accounting and administrative controls designed to provide reasonable assurance that the financial records are reliable, form a proper basis for the preparation of financial statements and that CDIC's assets are properly accounted for and adequately safeguarded.

The Board of Directors carries out its responsibility for the financial statements in this report principally through its audit committee, consisting solely of outside directors. The audit committee reviews CDIC's annual consolidated financial statements and reports its findings to the Board for their consideration and approval. The audit committee also meets with management and with the Shareholder's Auditors to discuss auditing matters and financial reporting issues. Due to its size, and as permitted by Order in Council, CDIC is exempt from the requirement to carry out internal audits.

These consolidated financial statements have been audited by the Shareholder's Auditors, the Auditor General of Canada and KPMG Peat Marwick Thorne whose report is presented separately.

Benita M. Warmbold
Executive Vice-President
Canada Development Investment Corporation

AUDITORS' REPORT

TO THE MINISTER OF FINANCE

We have audited the consolidated balance sheet of Canada Development Investment Corporation as at December 31, 1994 and the consolidated statements of income (loss) and accumulated deficit and changes in financial position for the year then ended. These financial statements are the responsibility of the corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the corporation as at December 31, 1994 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles. As required by the *Financial Administration Act*, we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in our opinion, the transactions of the corporation and of its wholly-owned subsidiaries that have come to our notice during our audit of the consolidated financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Canada Business Corporations Act* and the articles and by-laws of the corporation and its wholly-owned subsidiaries and with a directive given to the corporation as disclosed in Notes 2 and 4(b).

Wm. F. Radburn, FCA
Assistant Auditor General
for the Auditor General of Canada

Ottawa, Canada

KPMG Peat Marwick Thorne
Chartered Accountants

Toronto, Canada
March 6, 1995

CANADA DEVELOPMENT INVESTMENT CORPORATION—*Continued*

CONSOLIDATED BALANCE SHEET
DECEMBER 31, 1994
(with comparative figures for 1993)
(in thousands of dollars)

ASSETS	1994	1993
Current assets:		
Cash and short-term investments	24,664	25,655
Cash restricted as to use (Note 8(c))	10,000	10,000
Receivables	468	803
Shares of Cameco Corporation held for sale (Note 5)	64,438	
	99,570	36,458
Investments:		
Non-consolidated subsidiaries, at cost (Note 4)	9,296	19,982
Other investments (Note 5)	17,175	124,572
	26,471	144,554
Other assets	340	864
	126,381	181,876

LIABILITIES AND SHAREHOLDER'S EQUITY	1994	1993
Current liabilities:		
Accounts payable and accrued liabilities (Note 8(b))	8,831	18,792
Notes payable to Atomic Energy of Canada Limited (Notes 4(c) and 8(c))	19,296	19,597
Short-term debt (Note 6)		161,726
Long-term debt payable within one year (Note 6)		50,000
	28,127	250,115
Long-term debt (Note 6)		250,000
Shareholder's equity:		
Capital stock:		
Authorized—Unlimited number of common shares		
Issued and fully paid—101 common shares	1	1
Contributed surplus (Note 7)	743,184	294,890
Accumulated deficit	(644,931)	(613,130)
	98,254	(318,239)
Contingencies (Notes 2, 4(a) and 8)		
	126,381	181,876

The accompanying notes are an integral part of these consolidated financial statements.

On behalf of the Board:

DON SHAVER
Director

WILLIAM ROSS
Director

CANADA DEVELOPMENT INVESTMENT CORPORATION—*Continued*

CONSOLIDATED STATEMENT OF INCOME (LOSS) AND ACCUMULATED DEFICIT
YEAR ENDED DECEMBER 31, 1994
(with comparative figures for 1993)
(in thousands of dollars)

	1994	1993
Corporate operations:		
Interest earned on short-term investments	1,649	1,303
Dividend and other income	4,579	13,146
	6,228	14,449
Corporate and divestiture expenses	(4,562)	(4,100)
Corporate income, net	1,666	10,349
Financial expense, net (Note 6)	(28,906)	(36,671)
Gain on sale of Cameco shares (Note 5)	6,002	
Provision for waste disposal costs (Note 8(b))	(563)	(6,412)
Net loss	(21,801)	(32,734)
Accumulated deficit, beginning of year	(613,130)	(572,720)
Dividends	(10,000)	(7,676)
Accumulated deficit, end of year	(644,931)	(613,130)

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION
YEAR ENDED DECEMBER 31, 1994
(with comparative figures for 1993)
(in thousands of dollars)

	1994	1993
Operations:		
Cash provided by corporate operations (Note 9)	242	11,482
Dividends paid	(10,000)	(7,676)
	(9,758)	3,806
Financing:		
Net increase in short-term debt	29,774	207,398
Repayment of long-term debt	(50,000)	(250,000)
Interest and financing expenses	(30,352)	(58,207)
Debt and interest assumed by the Government of Canada	(448,294)	(80,000)
Contributed surplus (Note 7)	448,294	80,000
	(50,578)	(100,809)
Investing:		
Proceeds from sale of Ginn Publishing	10,385	
Proceeds from sale of Cameco shares	48,960	98,400
	59,345	98,400
Increase (decrease) in cash	(991)	1,397
Cash, beginning of year	25,655	24,258
Cash, end of year	24,664	25,655

For purposes of this statement, cash and increase (decrease) in cash includes cash and short-term investments and excludes cash transactions relating to cash restricted as to use.

The accompanying notes are an integral part of these consolidated financial statements.

CANADA DEVELOPMENT INVESTMENT CORPORATION—*Continued*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 1994
(All dollar amounts are stated in thousands)

1. The corporation:

Canada Development Investment Corporation ("the corporation") was incorporated in 1982 under the provisions of the *Canada Business Corporations Act* and is wholly-owned by Her Majesty in Right of Canada. The corporation is subject to the *Financial Administration Act* and is an agent of Her Majesty.

2. Activities of the corporation:

In 1984, the corporation commenced the disposition of its investments in Massey-Ferguson Limited, now Varity Corporation ("Varity") and Massey-Combines Corporation ("Massey-Combines"), Canadair Limited ("Canadair"), The de Havilland Aircraft of Canada, Limited ("de Havilland") and Canada Eldor Inc. ("CEI") in an orderly fashion. Disposals of the corporation's investments in de Havilland and Canadair were completed in 1986. The remaining investment in Massey-Combines was written off in 1988.

During 1988, the operating assets of CEI were transferred to Cameco Corporation ("Cameco") in exchange for notes and 38.5 percent investment in Cameco. Through dilution and four secondary share sales, one of which was subsequent to year end, the corporation has now completed the sale of its investment in Cameco.

During 1988, the corporation acquired the following two subsidiaries from Atomic Energy of Canada Limited ("AECL"):

(a) Nordion International Inc. ("Nordion"); and

(b) Theratronics International Limited ("Theratronics").

In November, 1991 the corporation sold Nordion (see Note 8(c)).

Pursuant to a directive received from the Government, the corporation acquired during 1989, a 51 percent interest in Ginn Publishing Canada Inc. ("Ginn Publishing") from Paramount Communications (Canada) Limited ("Paramount"). Pursuant to a directive received from the Government, in February, 1994 the corporation sold its interest in Ginn Publishing.

On March 19, 1993 Canada Hibernia Holding Corporation ("CHHC") acquired for no cost an 8.5 percent interest in the Hibernia Development Project and an 8.5 percent equity interest in the Hibernia Management and Development Company Ltd. ("HMDC"). CHHC is a wholly-owned subsidiary of the corporation whose sole purpose is the holding, management, funding and ultimately, disposal of the 8.5 percent interest in Hibernia.

Pursuant to an agreement entered into in December, 1990 by the corporation, Varity, the Governments of Canada and Ontario, Varity agreed to pay the corporation $7,813 on November 1 in each of 1990 and 1993 and to maintain certain levels of employment in Canada through to May 1, 1993. The Governments agreed to terminate all prior agreements with Varity and Varity has satisfied all of its commitments to the federal government pursuant to this agreement.

During 1991, the corporation sold 450,000 common shares of Varity. It continues to hold 1,250,000 class II preferred shares of Varity.

The Board of Directors of the corporation is continuing to develop approaches to the divestiture of the corporation's remaining investments.

3. Significant accounting policies:

(a) Basis of consolidation:

The financial statements of Cartierville Financial Corporation Inc. ("Cartierville Financial") and CEI, both wholly-owned subsidiaries, have been consolidated with those of the corporation.

(b) Investments in non-consolidated subsidiaries:

The corporation's investments in subsidiaries acquired with the intention that they be disposed of or privatized in the foreseeable future are considered to be temporary investments and are carried at the lower of cost and net realizable value. If no reliable estimate of net realizable value is available, the investment is carried at cost. The corporation's investment in CHHC is considered to be temporary investment and is accounted for in accordance with this policy.

The corporation's investments in subsidiaries acquired with the intention that they be disposed of or privatized in the foreseeable future and for which the corporation will not benefit from the ultimate gains or losses on disposition are carried at the corporation's proportionate interest in the underlying net book value of the subsidiaries, offset by a liability reflecting the corporation's obligation to forward any proceeds of disposition to another entity. The corporation's investment in Theratronics is accounted for in accordance with this policy.

The financial statements of CHHC and Theratronics are attached.

(c) Other investments:

The corporation's investment in Cameco is accounted for using the cost method. Under this method, any dividends received are recorded as revenue by the corporation.

Any shares of Cameco which the corporation has authorized CEI to sell in the foreseeable future are considered to be temporary investments and are carried at the lower of carrying value and net realizable value.

The investment in Varity securities is carried at cost, less proceeds received on disposition.

4. Investment in non-consolidated subsidiaries:

The corporation's investments in subsidiaries are as follows:

	December 31, 1994	1993
CHHC (a)		
Ginn Publishing (b)		10,385
Theratronics (c)	9,296	9,597
	9,296	19,982

CANADA DEVELOPMENT INVESTMENT CORPORATION—*Continued*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 1994—*Continued*

(a) CHHC:

CHHC was acquired with the intention that it be disposed of in the foreseeable future; accordingly, the corporation accounts for its investment in CHHC as a temporary investment and this investment is not consolidated into the results of the corporation.

On March 19, 1993 CHHC acquired for no cost an 8.5 percent working interest in the Hibernia Development Project ("Hibernia") and an 8.5 percent equity interest in the Hibernia Management and Development Company Ltd. ("HMDC"). CHHC's sole purpose is the holding, management, funding and ultimately, disposal of the 8.5 percent interest in Hibernia. Pursuant to a Memorandum of Understanding ("MOU") dated June 8, 1993 between the Government of Canada, the corporation and CHHC, the Government seeks the approval of Parliament to appropriate the funds necessary for CHHC to honour its obligations to fund the project costs of Hibernia. CHHC is dependent on appropriations from the Government of Canada to fulfill its obligations.

Pursuant to the MOU, the corporation provides administrative services to CHHC. The aggregate cost of these administrative services are reimbursable to the corporation on commencement of commercial operations from Hibernia production proceeds (if any such proceeds remain after payment of other production expenses and charges) or, if applicable, the proceeds from the sale of the working interest or the sale of the shares of CHHC in such manner as may be agreed upon by the corporation and the Minister of Finance.

Costs of the Hibernia Development Project to the production start-up are estimated at $5,819,000, before Government assistance. CHHC's 8.5 percent share is expected to be approximately $407,000. CHHC's expenditures incurred after March 23, 1993 do not qualify for Government contributions or Government guaranteed limited-recourse loans provided to the other owners of the project.

The Hibernia Project is in the development stage. Accordingly, CHHC has no operations until the production stage commences. Recovery of CHHC's capitalized costs relating to the Hibernia Project depends upon (i) the sale of the working interest for an amount in excess of the costs capitalized, or (ii) the successful completion of construction and achievement of commercial production of oil at prices sufficient to recover operating costs and capitalized costs.

(b) Investment in Ginn Publishing:

Pursuant to a directive received from the Government, during 1989 the corporation acquired a 51 percent interest in Ginn Publishing from Paramount, as a consequence of the Government's "Baie Comeau" policy which required that a majority of the voting shares of Canadian publishing companies were to be held by Canadians upon any change in control of the publishing company. During 1992, the Government rescinded the Baie Comeau policy and implemented a revised foreign investment policy in book publishing and distribution. As a result of this change in policy and pursuant to a directive received from the Government, the corporation sold its investment in Ginn back to Paramount in February, 1994 for carrying value.

(c) Theratronics:

The share purchase agreement between AECL and the corporation requires the corporation to pay to AECL the fair market value of the shares of Theratronics. The agreement also specifies that the fair market value will be estimated as at the date of transfer, but will subsequently be adjusted to an amount equal to the price ultimately received by the corporation in the subsequent privatization sale of Theratronics. Furthermore, the agreement specifies that the corporation is not required to make payment of the purchase price to AECL until 60 days after the privatization sale.

Accordingly, AECL will ultimately receive the full proceeds realized upon privatization of Theratronics, less the corporation's expenses associated with the privatization.

Thus, while the corporation has title to the shares of Theratronics and executive management control over its operations prior to its privatization, the corporation did not acquire the normal risks and benefits associated with share ownership. Accordingly, the corporation has recorded its investment in Theratronics at an amount equal to the net book value of Theratronics at December 31, 1994 and 1993, with an off-setting non-interest bearing note payable to AECL, and has not recognized any income or loss on this investment.

5. Other investments:

	Carrying Value December 31, 1994	Carrying Value December 31, 1993
Cameco	64,438	107,397
Varity	17,175	17,175
	81,613	124,572
Less: amount included in current assets	64,438	
	17,175	124,572

Investment in Cameco:

In 1993, CEI sold 5,000,000 of its common shares for gross proceeds of $102,500 or $20.50 per share. Costs of the transaction were $4,100 resulting in net proceeds of $98,400 or $19.68 per share. CEI's carrying cost per share exceeded these net proceeds per share; accordingly, CEI incurred a loss of $8,996 which was reflected in the net loss for the year ended December 31, 1992.

In September, 1994 CEI sold 2,000,000 of its common shares for gross proceeds of $51,000 or $25.50 per share. Costs of the transaction were $2,040, resulting in net proceeds of $48,960 or $24.48 per share. The net proceeds exceeded CEI's carrying cost per share. Accordingly, CEI realized a gain of $6,002 which is reflected in the net profit for the year ended December 31, 1994.

Subsequent to year end, in February, 1995 CEI sold its remaining 3,000,000 common shares for gross proceeds of $92,250 or $30.75 per share. Costs of the transaction were $3,690, resulting in net proceeds of $88,560 or $29.52 per share. The gain of $24,122 will be reflected in the financial statements for the year ending December 31, 1995.

CANADA DEVELOPMENT INVESTMENT CORPORATION—*Continued*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 1994—*Continued*

6. Long-term debt:

The Government of Canada provides authorities and guarantees for the borrowing of CEI. On January 1, 1995 this borrowing authority was reduced from $500,000 to $400,000. To December 31, 1993 the government assumed responsibility for payment of an aggregate of $155,000 of CEI's debt to ensure that CEI would not exceed its statutory borrowing authority. On December 23, 1994 the Government of Canada entered into an agreement with CEI to assume responsibility for payment of all of CEI's remaining short-term and long-term debt. Payment of CEI's outstanding short-term promissory notes of $191,500 was made by the Government of Canada on December 28, 1994, and in 1995, the Government of Canada will make payment for $100,000 notes maturing on January 16, 1995 and $150,000 notes maturing on August 18, 1995, as well as related interest obligations, resulting in total payments of $454,875. As a result of this agreement, CEI was relieved of its obligation for these debts; accordingly, the outstanding principal amounts and accrued interest totalling $448,294 as at December 23, 1994 was removed from CEI's accounts and credited to contributed surplus (see Note 7).

	As at December 31, 1994	1993
Notes due 1994, at 5.75%		50,000
Notes due 1995, at 8%		100,000
Notes due 1995, at 6.25%		150,000
Sub-total		300,000
Less: current portion of long-term debt listed above		50,000
Total		250,000

Financial expense is composed of the following:

	Year ended December 31, 1994	1993
Interest income	(11)	(29)
Interest expense		
Long-term debt	18,973	27,284
Other	9,533	8,849
Other finance charges	411	567
	28,906	36,671

7. Contributed surplus:

Beginning in December, 1992 the Government of Canada assumed responsibility for payment of certain of CEI's debt which was required to allow CEI to remain within its statutory borrowing authority. The details of the changes in contributed surplus are as follows:

	Year ended December 31, 1994	1993
Balance, beginning of year	294,890	214,890
Debt of CEI assumed during the year by the Government of Canada	448,294	80,000
Balance, end of year	743,184	294,890

Appropriations received from the Government of Canada by CHHC to fund the costs of the Hibernia Project are credited to contributed surplus of CHHC, but are not credited to the corporation's contributed surplus account as it uses the cost method to account for its investment in CHHC.

8. Contingencies:

(a) On December 23, 1986 the corporation sold its investment in Canadair Limited to Bombardier-Canadair Inc. The corporation and the Government have agreed to indemnify Bombardier-Canadair Inc. and Canadair Limited for specified product related claims for fifteen years from December 23, 1986 for which insurance coverage is unavailable or economically impracticable to obtain. Reasonable estimates of the effects, if any, of this indemnity cannot be made at this time. Such amounts will be recognized in future years, as appropriate, when reasonable estimates can be made as to the likely amount, if any, which will ultimately be paid pursuant to this indemnity.

(b) Under the terms of the agreement between CEI and Cameco, CEI and Cameco agreed on a formula for sharing any future joint costs, excluding normal operating costs, related to certain specified existing wastes accumulated by CEI to October 5, 1988, the date of transfer of CEI's operations and assets to Cameco. Cameco assumed liability for the first $2,000 of joint costs. The next $98,000 in joint costs will be shared 23/98ths by Cameco, 75/98ths by CEI. CEI assumed liability for joint costs in excess of $100,000.

Alternatives for the economic disposal for existing wastes continue to be pursued by Cameco. The majority of the joint costs under the indemnity provisions of the agreement relate to existing waste material located in two sites which are closed and have not accepted further wastes since October 5, 1988. The ultimate magnitude of the joint costs is largely dependent on the findings of the Federal Siting Task Force, remediation standards that will be set by the Atomic Energy Control Board and the technologies that may be available to meet these standards at the time they are determined.

CANADA DEVELOPMENT INVESTMENT CORPORATION—*Continued*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 1994—*Concluded*

CEI accrues for these costs on an annual basis, based on reliable estimates provided by Cameco. To December 31, 1994 actual total joint costs are $2,286 (1993—$1,469) and CEI's share is $219 (1993—$0). As at December 31, 1994 Cameco estimates joint costs to be $11,114 (1993—$10,400) of which CEI's share is $6,975 (1993—$6,412). Accordingly, CEI has accrued this amount in accounts payable and accrued liabilities as its liability that is subject to reasonable estimation at this time. It is likely that CEI will incur further liability for joint costs to be incurred in the future; however, the ultimate magnitude of this liability is not reasonably estimable at this time.

(c) In November, 1991 the corporation sold its investment in Nordion for proceeds of $165,000. The proceeds, net of the corporation's expenses associated with the privatization and an amount of $25,000 held back and deposited in the Consolidated Revenue Fund on a non-interest bearing basis to satisfy indemnity claims relating to the sale, was paid to AECL.

As part of the purchase and sale agreement, the corporation indemnified the purchaser for general and specific representations contained in the agreement of purchase and sale to the maximum of $25,000. The general indemnity is subject to a deductible of $1,000 and an aggregate limit of $10,000 and expires two years after the date of the sale. The $10,000 continues to be held in the Consolidated Revenue Fund and is shown as "Cash Restricted as to use" in these financial statements.

The conditions of the special indemnity were met in February, 1992 and $15,000 of the amount held back has been withdrawn from the CRF and paid to AECL. Any balance remaining of the $10,000 withheld to cover the general indemnity, net of claims, will be paid to AECL on expiry of the indemnity period and settlement of any outstanding claims.

The corporation is a named party, together with Atomic Energy of Canada Limited ("AECL") and the Attorney General of Canada, in litigation commenced by MDS Health Group Limited et al ("MDS"). MDS is seeking a mandatory injunction requiring AECL to complete the construction and commissioning of a new isotope reactor. Alternate relief claimed in the action includes the rescinding of the original purchase, damages of $300,000, pre and post judgment interest and costs.

Due to the early stages of this claim, the corporation is not in a position to estimate the ultimate outcome and the loss, if any, that the corporation may suffer.

(d) The corporation is the defendant in certain other litigation. While the amount of any ultimate liability cannot yet be determined, the corporation, after discussion with legal counsel, is of the opinion that there will be no material adverse effect on its financial position.

9. Cash provided by corporate operations:

	1994	1993
Corporate income, net	1,666	10,349
Decrease in accounts receivable and other assets	430	936
Increase (decrease) in accrued liabilities	(1,885)	181
Net decrease in corporate capital assets	31	16
Cash provided by corporate operations	242	11,482

10. Subsequent event:

On March 6, 1995 the corporation declared a cash dividend of $10,000 to the Government of Canada which will be paid in April, 1995.

CANADA DEVELOPMENT INVESTMENT CORPORATION—*Continued*

APPENDIX 1

CANADA HIBERNIA HOLDING CORPORATION

AUDITOR'S REPORT

TO THE SHAREHOLDER OF CANADA HIBERNIA HOLDING CORPORATION

We have audited the balance sheet of Canada Hibernia Holding Corporation as at December 31, 1994 and the statements of operations and deficit and changes in financial position for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 1994 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Further, in our opinion, the transactions of the Corporation that have come to our notice during our audit of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Canada Business Corporations Act* and the articles and by-laws of the Corporation.

KPMG Peat Marwick Thorne
Chartered Accountants

Toronto, Canada
March 6, 1995

BALANCE SHEET DECEMBER 31, 1994
with comparative figures for 1993
(in thousands of dollars)

ASSETS	1994	1993
Investment in Hibernia Development Project and Hibernia Management and Development Company Ltd.	194,451	80,348
	194,451	80,348

LIABILITIES AND SHAREHOLDER'S EQUITY	1994	1993
Current liabilities:		
Accrued liabilities	17,708	11,041
Total current liabilities	17,708	11,041
SHAREHOLDER'S EQUITY:		
Capital stock:		
Authorized—Unlimited number of common shares		
Issued and fully paid—1 common share		
Contributed surplus	177,252	69,426
Deficit	(509)	(119)
Total shareholder's equity	176,743	69,307
Commitment and contingencies (Note 3)		
	194,451	80,348

See accompanying notes to financial statements.

Approved by the Board:

DON SHAVER
Director

WILLIAM ROSS
Director

CANADA DEVELOPMENT INVESTMENT CORPORATION—*Continued*

APPENDIX 1—*Continued*

CANADA HIBERNIA HOLDING CORPORATION—*Continued*

STATEMENT OF OPERATIONS AND DEFICIT
YEAR ENDED DECEMBER 31, 1994
with comparative figures for 1993
(in thousands of dollars)

	1994	1993
Expenses:		
Capital and large corporation tax	390	119
Net loss for the year	390	119
Deficit, beginning of year	119	
Deficit, end of year	509	119

See accompanying notes to financial statements.

STATEMENT OF CHANGES IN FINANCIAL POSITION
YEAR ENDED DECEMBER 31, 1994
with comparative figures for 1993
(in thousands of dollars)

	1994	1993
Operating activities:		
Loss for the year	(390)	(119)
Increase (decrease) in accrued liabilities	390	119
Cash provided by operating activities		
Investing activities:		
Investment in Hibernia Development Project	(107,532)	(69,426)
	(107,532)	(69,426)
Contributed capital:		
Parliamentary appropriations from Canada	107,532	69,426
	107,532	69,426
Increase (decrease) in cash		
Cash and short-term investments, beginning of year		
Cash and short-term investments, end of year		

See accompanying notes to financial statements.

CANADA DEVELOPMENT INVESTMENT CORPORATION—*Continued*

APPENDIX 1—*Concluded*

CANADA HIBERNIA HOLDING CORPORATION—*Concluded*

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1994
(All dollar amounts are stated in thousands)

1. Canada Hibernia Holding Corporation:

Canada Hibernia Holding Corporation (the "company" or "CHHC") (formerly 2875055 Canada Inc.) was incorporated under the provisions of the *Canada Business Corporations Act* on December 4, 1992. On March 22, 1993 the company was acquired by Canada Development Investment Corporation ("CDIC"). Prior to March 22, 1993 the company was inactive. The company is subject to the *Financial Administration Act*.

On March 19, 1993, the company acquired for no cost an 8.5% working interest in the Hibernia Development Project ("Hibernia") and an 8.5% equity interest in the Hibernia Management and Development Company Ltd. ("HMDC"). CHHC's sole purpose is the holding, management, funding and ultimately, disposal of the 8.5% interest in Hibernia. Pursuant to a Memorandum of Understanding ("MOU") dated June 8, 1993 between the Government of Canada, CDIC and CHHC, the government seeks the approval of Parliament to appropriate the funds necessary for CHHC to honour its obligations to fund the project costs of Hibernia. CHHC is dependent on appropriations from the Government of Canada to fulfill its obligations.

The MOU also requires CDIC to provide administrative services to CHHC. The aggregate cost of these administrative services are reimbursable to CDIC on commencement of commercial operations from Hibernia production proceeds (if any such proceeds remain after payment of other production expenses and charges), or if applicable, the proceeds from the sale of the working interest or the sale of the shares of the company in such manner as may be agreed upon by CDIC and the Minister of Finance.

HMDC is a company formed to act as agent for the participants in the Hibernia Development Project. All project expenditures are charged to the Joint Account which is owned by the participants in proportion to their working interest. The Joint Account is funded directly by the participants and by Federal and Provincial Government Contributions.

The Hibernia Project is in the development stage. Accordingly, CHHC has no operations until the production stage commences. Recovery of CHHC's capitalized costs relating to the Hibernia Project depends upon (i) the sale of the working interest for an amount in excess of the costs capitalized, or (ii) the successful completion of construction and achievement of commercial production of oil at prices sufficient to recover operating costs and capitalized costs.

2. Significant Accounting Policies:

(a) Investment in the Hibernia Development Project and Hibernia Management and Development Company Ltd:

Investment in the Hibernia Management and Development Company Ltd. ("HMDC") is accounted for on the cost method.

Development costs charged to the Joint Account subsequent to the date of acquisition of the working interest are capitalized. Development costs include costs of engineering, construction and installation of production facilities comprised of a Gravity Based Structure and Topsides facilities. All of the company's development activities are conducted jointly with others.

(b) Contributed surplus:

Appropriations received from the Government of Canada to fund the costs of the Hibernia Project are credit to contributed surplus.

(c) Administrative costs:

The costs incurred by CDIC in connection with the administration of the company have not been accrued as a liability or charged as an expense in these financial statements because the method of reimbursement of CDIC for these costs is contingent on certain future events which are uncertain.

3. Commitment and Contingencies:

During 1993, the company acquired an 8.5% interest in the Hibernia Development Project. The company's obligations, in connection with the acquisition, relate only to project costs incurred after January 20, 1993. Costs of the development project to the production start-up are estimated at $5,819,000, before government assistance and are for production facilities only, exclusive of costs for drilling of wells and the Hibernia transportation system. The company's 8.5% share is expected to be approximately $407,000. The company's expenditures incurred after March 23, 1993 do not qualify for government contributions or government guaranteed limited-recourse loans provided to the other owners of the project.

The company became a participant in the Hibernia Development Project effective from the day of the first billion dollars of charges to the owners Joint Account. The determination of the first billion dollars of charges to the Joint Account and required owner contributions involves interpretations for the treatment of charges, credits and government contributions under the Hibernia Owner Agreements. Matters of interpretation have yet to be resolved between Gulf Canada Resources Limited and the remaining project owners. The outcome of these matters are presently not determinable and thus, the potential impact on the company's required contributions to the project is presently not determinable.

CANADA DEVELOPMENT INVESTMENT CORPORATION—*Continued*

APPENDIX 2

THERATRONICS INTERNATIONAL LIMITED

AUDITORS' REPORT TO THE SHAREHOLDER

We have audited the balance sheet of Theratronics International Limited as at December 31, 1994 and the statements of earnings, retained earnings and changes in financial position, for the year then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the company as at December 31, 1994 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles. As required by the *Financial Administration Act*, we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

We further report that, in our opinion, the transactions of the company that have come to our notice in the course of our examination of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the charter and by-laws of the company and any directives given to the company.

KPMG Peat Marwick Thorne
Chartered Accountants

Ottawa, Canada
February 16, 1995

BALANCE SHEET AS AT DECEMBER 31, 1994
(with comparative figures for 1993)
(in thousands of dollars)

ASSETS	1994	1993
Current assets:		
Cash	2,456	3,016
Accounts receivable	12,461	10,256
Inventories (Note 2)	8,841	10,135
Prepaid expenses	205	226
	23,963	23,633
Capital assets (Note 3)	3,764	2,208
In-reactor cobalt inventory	1,188	1,188
	28,915	27,029

LIABILITIES AND SHAREHOLDER'S EQUITY	1994	1993
Current liabilities:		
Accounts payable and accrued liabilities	10,751	9,870
Advances and deferred revenue	6,516	5,997
	17,267	15,867
Long-term liabilities (Note 4)	2,352	1,565
SHAREHOLDER'S EQUITY		
Share capital (Note 5)	9,588	9,588
Retained earnings (deficit)	(292)	9
	9,296	9,597
Commitments (Note 10)		
Contingent liabilities (Note 12)		
	28,915	27,029

See accompanying notes to financial statements.

On behalf of the Board:

WARD C. PITFIELD
Director

H.M.F. WARLAND
Director

CANADA DEVELOPMENT INVESTMENT CORPORATION—*Continued*

APPENDIX 2—*Continued*

THERATRONICS INTERNATIONAL LIMITED—*Continued*

STATEMENT OF EARNINGS
YEAR ENDED DECEMBER 31, 1994
(with comparative figures for 1993)
(in thousands of dollars)

	1994	1993
Sales	47,763	51,315
Cost of goods sold	34,329	36,291
	13,434	15,024
Operating expenses:		
Selling and marketing	3,969	3,370
Administration	5,300	4,895
Research and development	3,292	3,019
Product support	1,174	1,196
	13,735	12,480
Operating income (loss)	(301)	2,544
Regulatory related and other costs (Note 6)		(529)
Net earnings (loss) (Note 7)	(301)	2,015

See accompanying notes to financial statements.

STATEMENT OF RETAINED EARNINGS
YEAR ENDED DECEMBER 31, 1994
(with comparative figures for 1993)
(in thousands of dollars)

	1994	1993
Retained earnings (deficit), beginning of year	9	(2,006)
Net earnings (loss)	(301)	2,015
Retained earnings (deficit), end of year	(292)	9

See accompanying notes to financial statements.

STATEMENT OF CHANGES IN FINANCIAL POSITION
YEAR ENDED DECEMBER 31, 1994
(with comparative figures for 1993)
(in thousands of dollars)

	1994	1993
Cash provided by (used in):		
Operations:		
Net earnings (loss)	(301)	2,015
Depreciation	711	676
	410	2,691
Change in non-cash operating working capital (Note 8)	510	(1,061)
	920	1,630
Financing:		
Increase (decrease) in long term liabilities	229	(231)
Net increase in capital lease	558	
Investments:		
Net acquisition of equipment	(2,267)	(724)
Increase (decrease) in cash	(560)	675
Cash, beginning of year	3,016	2,341
Cash, end of year	2,456	3,016

See accompanying notes to financial statements.

CANADA DEVELOPMENT INVESTMENT CORPORATION—*Continued*

APPENDIX 2—*Continued*

THERATRONICS INTERNATIONAL LIMITED—*Continued*

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 1994
(in thousands of dollars)

Theratronics International Limited ("Theratronics") is incorporated under the *Canada Business Corporations Act* and is subject to the *Financial Administration Act*. The primary business of Theratronics is the manufacture, sales and service of radiotherapy and related equipment to hospitals and medical institutions around the world.

Theratronics was incorporated initially as a wholly-owned subsidiary of Atomic Energy of Canada ("AECL"). The Minister of State for Privatization has announced the government's intention to sell the Company to the private sector. Assets and liabilities were transferred from AECL to the Company in exchange for 10,000 common shares. Since the transaction occured between companies under common control, a value or $9,588 was assigned to capital stock for accounting purposes representing the net book value of the assets and liabilities tranferred. The effective date of these transactions was July 1, 1988. As of September 30, 1988, all of the outstanding common shares were sold to Canada Development Investment Corporation ("CDIC"). No assessment of the potential impact of privatization has been made or reflected in the financial statements.

1. Significant accounting policies:

(a) Capital assets:

Capital assets are initially recorded at cost and depreciated on a straight-line basis over the estimated useful life of the underlying assets, as follows:

Asset	Basis
Site service	5 to 15 years
Buildings	20 years
Machinery, equipment, and leased equipment	3 to 10 years

(b) Inventories:

Finished goods inventories including service inventories are valued at the lower of cost and estimated net realizable value. Raw materials, work in process, and cobalt 60 are valued at the lower of cost and replacement cost. Cost is primarily determined on a standard cost basis and includes material, labour and manufacturing overhead where applicable.

(c) In-reactor cobalt inventory:

In-reactor cobalt inventory represents primarily payments for irradiation services performed by AECL to produce cobalt 60. The amounts classified as long term will not be consumed within the next fiscal year.

(d) Pension plan:

Employees are covered by the Public Service Superannuation Plan administered by the Government of Canada. The Company's contributions to the plan are limited to matching the employees' contributions on account of current service and past service buy back limited to federal government services. These payments are charged to income on a current basis and represent the total pension obligations of the Company.

(e) Employee termination benefits:

Employees are entitled to specific termination benefits defined under collective agreements and conditions of employment. The charge to income and the liability are recognized in the accounts in the year the benefits become vested.

(f) Warranty provision:

A provision is recorded for estimated warranty costs at the time of product sale.

(g) Revenue recognition:

Revenue from the sale of radiotherapy units and related equipment is recognized upon transfer of ownership. Revenue from field services is recognized at the time services are rendered. Revenue from service contracts is recognized on a straight-line basis over the term of the contract.

2. Inventories:

	1994	1993
Service inventory	2,353	3,505
Cobalt 60	2,482	2,223
Manufacturing:		
Finished goods	427	1,486
Raw materials	1,890	1,446
Work-in-process	1,689	1,475
	8,841	10,135

3. Capital assets:

	Cost	Accumulated depreciation	Net book value 1994	Net book value 1993
Land	69		69	69
Site service	1,137	504	633	679
Building	3,474	3,203	271	300
Machinery and equipment	7,236	5,815	1,421	1,160
Leased equipment	688	21	667	
Equipment under capital lease (Note 4)	735	32	703	
	13,339	9,575	3,764	2,208

Cost and accumulated depreciation were $11,387 and $9,179 respectively at December 31, 1993.

CANADA DEVELOPMENT INVESTMENT CORPORATION—*Continued*

APPENDIX 2—*Continued*

THERATRONICS INTERNATIONAL LIMITED—*Continued*

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 1994—*Continued*

4. Long-term liabilities:

	1994	1993
Capital lease	558	
Employee termination benefits	1,293	1,251
Deferred Revenue	501	314
	2,352	1,565

During the year, the company entered into two capital leases for the acquisition of manufacturing equipment. The leases require interest payments of 9.0 percent and 9.6 percent and expire in 1999. Future minimum payments, by year and in aggregate, consisted of the following at December 31, 1994:

1995	178
1996	178
1997	178
1998	178
1999	132
Total minimum lease payment	844
Amounts representing interest	(168)
Present value of net minimum lease payments	676
Less current portion included in accounts payable and accrued liabilities	(118)
	558

5. Share capital:

The authorized share capital of the company consists of an unlimited number of no par value common shares with issued and outstanding shares totalling 10,000.

6. Regulatory related and other costs:

During 1994, the Company successfully met the United States Food and Drug Administration (FDA) standards for software revalidation and testing. This resulted in the lifting of all existing import alerts allowing the Company to ship all products, without restriction, into the United States.

7. Income taxes:

As a wholly-owned subsidiary of a Federal Crown Corporation, the Company is not subject to provincial income taxes.

The Company's expected income tax rate is the net Federal statutory rate (including surtax) of 28.84 percent less the applicable manufacturing and processing deduction of 7.0 percent. Since the company has a loss for the current year, the effective rate is zero. The 1993 effective tax rate was zero due to the utilization of permanent differences.

The Company has income tax losses of $2,662 ($1,698 in 1993) available to reduce taxes payable up to 1999. In addition, the Company has differences between the tax and accounting values of its assets for which future deductions are available in the amount of $11,207 ($11,463 in 1993). Of this amount, $4,421 ($4,906 in 1993) relate to the assets of the Company at the date it became subject to income taxes.

The Company has unused investment tax credits of $900 ($568 in 1993) available to reduce taxes payable up to 1998.

The Company is currently involved in a dispute with Revenue Canada in respect of the deductibility of certain amounts. If unsuccessful in the defence of this dispute the future deductions would be decreased by approximately $1,696.

8. Operating working capital:

The changes in non-cash operating working capital are comprised of:

	1994	1993
Accounts receivable	(2,205)	(4,968)
Inventories	1,294	2,861
Prepaid expenses	21	47
Accounts payable and accrued liabilities	881	64
Deferred revenue	519	935
	510	(1,061)

9. Related party transactions:

(a) AECL provides irradiation services to the Company. Total purchases of irradiation services in the year were $1,987 ($1,838 in 1993). At December 31, 1994, $145 of these purchases were included in accounts payable ($286 in 1993).

(b) The company holds 48 percent of the outstanding common shares and 100 percent of the preferred shares of Medical High Technology Inc. ("MHTI") located in Clearwater, Florida.

Total purchases from MHTI in 1994 were $108 ($2,750 in 1993). Total sales to MHTI in 1994 were nil ($703 in 1993).

10. Commitments:

(a) Minimum lease payments in accordance with lease commitments are as follows:

1995	144
1996	91
1997	89
1998	25
Subsequent	14
	363

(b) The Company has a commitment, estimated at $20,421 to purchase cobalt 60 from AECL produced at its Chalk River nuclear laboratory to the year 2008.

CANADA DEVELOPMENT INVESTMENT CORPORATION—*Concluded*

APPENDIX 2—*Concluded*

THERATRONICS INTERNATIONAL LIMITED—*Concluded*

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 1994—*Concluded*

11. Sales agents' remuneration:

During the year ended December 31, 1994 the Company paid sales commissions totalling $2,008 to the following agents: Medtel Pty. Limited, Australia; Equipo Para Hospitales SA, Mexico; Kamol Sukosol Electric Co. Ltd., Thailand; General Machinery Co. Ltda., Chile; Meditel Medikal Elektronik Ltd., Turkiye; M.L. Sethi, India; Technica Ltd., Cyprus; Birla Medical Technologies, India; Meditron S.A. De C.V., El Salvador; LHS Communications Ltd., Jamaica; Dynamotors Ltd., Mauritius; Nairobi X-Ray Supplies Ltd., Kenya; Cometec Materiel Medical, Congo; Radcons PTY Limited, Australia; TEC RAD, Brazil; NCA Electromedicina, Spain; Alkan Establishment, Egypt; General Electronica Genelectric C.I.A. Ltda., Ecuador; Gemed Sistemas Medicos CA, Venezuela; Promed SA, Panama; Nucletron N.V., Belgium; Jack Fack S.R.L., Paraguay; Aristons Limited, Sri Lanka; Teepei Technical Services Ltd, Malta; Empresas Juan Gasso Gasso, S.A.; Dominican Republic; Arab Trading & Engineering Office, Syria; General Medica de Colombia Ltda., Colombia; Kirloskar Theratronics (P) Limited, India; S Sabbagh, Jordan; Izinta Trading Co. Ltd, Hungary; Yutech Biomedical Systems Co., Taiwan; Watson & Sons, Nigeria.

12. Contingent liabilities:

(a) Medtap

The company has received a grant of $350 from the National Research Council. This funding is required to be repaid if certain conditions are met relating to the commercialization of the resulting technology. Repayment of this grant will occur in the form of a royalty based on the gross sales of the new product, which is expected to commence in 1996.

(b) Refunds

The Company entered into transactions during the year, the terms of which provide for refunds should the specified release dates of new products not be met. These potential refunds totalling $938 will be recorded as a charge to income should the specified release dates not be met by the Company and the customers exercise the right of refund.

CANADA LANDS COMPANY LIMITED

AUDITOR'S REPORT

TO THE MINISTER DESIGNATE OF PUBLIC WORKS AND GOVERNMENT SERVICES

I have audited the balance sheet of Canada Lands Company Limited for the year ended March 31, 1995. This financial statement is the responsibility of the corporation's management. My responsibility is to express an opinion on this financial statement based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, this balance sheet presents fairly, in all material respects, the financial position of the corporation as at March 31, 1995 in accordance with generally accepted accounting principles. As required by the *Financial Administration Act*, I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the corporation that have come to my notice during my audit of the financial statement have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Canada Business Corporations Act* and the articles and by-laws of the corporation.

D. Larry Meyers, FCA
Deputy Auditor General
for the Auditor General of Canada

Ottawa, Canada
May 12,1995

BALANCE SHEET AS AT MARCH 31, 1995

ASSETS	1995	1994	SHAREHOLDER'S EQUITY	1995	1994
	$	$		$	$
Investments (Notes 2(a), 2(b) and 5)			Capital stock (Note 2(c))		

Approved by the Board:

R.A. QUAIL
President

CANADA LANDS COMPANY LIMITED—*Continued*

NOTES TO FINANCIAL STATEMENT
MARCH 31, 1995

1. Authority and activities

The Canada Lands Company Limited, an agent Crown corporation, originally named Public Works Lands Company Limited, was incorporated under the *Companies Act* in 1956 and was continued under the *Canadian Business Corporations Act*. It was added to Schedule C to the *Financial Administration Act* in 1979 and listed as a parent Crown corporation in 1984 in Part I of Schedule III to the *Financial Administration Act*.

The corporation has, by virtue of its letters patent of incorporation, the power to acquire, purchase, lease, hold, improve, manage, exchange, sell, turn to account or otherwise deal in or dispose of real or personal property or any interest therein. However, it has been used only to hold, in trust for Federal government departments, certain leasehold interests in two properties in London, England, and two properties on Indian reserves in Canada. Funding for these leases is borne by the departments.

2. Significant accounting policies

(a) Investments in subsidiaries

The corporation wholly owns the following three subsidiary corporations:

Canada Lands Company (Vieux-Port de Québec) Inc.

Canada Museums Construction Corporation Inc.

Old Port of Montreal Corporation Inc.

The shares have been acquired in consideration of services rendered.

In June 1994 Treasury Board directed that Queens Quay West Land Corporation (QQWLC) be dissolved by June 30, 1995 and that all assets and liabilities be transferred to the Canada Lands Company Limited (CLC). In May 1995, the Governor in Council authorized CLC to procure the incorporation of a wholly-owned subsidiary corporation to acquire the assets and liabilities of QQWLC.

(b) Exclusion of subsidiaries from consolidation

The financial statements of the subsidiaries are excluded from consolidation because the corporation does not have the right and ability to obtain future economic benefits from the resources of the subsidiaries and is not exposed to the related risks.

(c) Capital stock

The corporation is authorized to issue three shares which shall not be transferred to any person other than a person approved by the Minister of Public Works and Government Services. The authorized shares have been issued in consideration of services rendered and are held in trust for Her Majesty in right of Canada by the Minister of Public Works and Government Services.

(d) Services without charge

The corporation does not record the value of services it receives from the Department of Public Works and Government Services, which include executive and administrative functions as are required for its operations.

3. Financial statement presentation

The corporation has not been involved in any financial transactions. As a result, the balance sheet has nil balances and no other financial statement is presented.

4. Related party transactions

In addition to the related party transactions disclosed elsewhere in these financial statements, the corporation is related in terms of common ownership to all Government of Canada created departments, agencies and Crown corporations.

5. Information on a wholly-owned subsidiary

Canada Lands Company (Vieux-Port de Québec) Inc. ceased operations effective March 31, 1988. However, a decision has yet to be taken with respect to the formal dissolution of the corporation pending the resolution of certain legal matters. The Department of Justice has stated that the resolution of these legal matters may take several years.

During the year, Canada Museums Construction Corporation Inc. transferred its responsibilities for residual matters pertaining to the construction of two museums to Public Works and Government Services. It is anticipated that the corporation could be dissolved within a year.

CANADA LANDS COMPANY LIMITED—*Continued*

APPENDIX 1

CANADA LANDS COMPANY (VIEUX PORT DE QUÉBEC) INC.

AUDITOR'S REPORT

TO THE MINISTER DESIGNATE OF PUBLIC WORKS AND GOVERNMENT SERVICES

I have audited the balance sheet of Canada Lands Company (Vieux-Port de Québec) inc. as at March 31, 1995. This financial statement is the responsibility of the corporation's management. My responsibility is to express an opinion on this financial statement based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, this balance sheet presents fairly, in all material respects, the financial position of the corporation as at March 31, 1995 in accordance with generally accepted accounting principles. As required by the *Financial Administration Act*, I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the corporation that have come to my notice during my audit of the balance sheet have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Canada Business Corporations Act* and the articles and by-laws of the corporation.

Raymond Dubois, FCA
Deputy Auditor General
for the Auditor General of Canada

Ottawa, Canada
June 30, 1995

BALANCE SHEET AS AT MARCH 31, 1995

ASSETS	1995	1994
	$	$
Cash	3	3
Short-term investment, at cost	9,442	9,027
Accounts receivable (Note 2)	484,865	484,865
	494,310	493,895

LIABILITIES	1995	1994
	$	$
Account payable	1,750	1,750
Due to Minister of Public Works and Government Services (Note 3)	8,615	8,200
Due to Receiver General for Canada	280,535	280,535
	290,900	290,485
SHAREHOLDER'S EQUITY		
Capital stock (Note 4)		
Contributed surplus	178,250	178,250
Retained earnings	25,160	25,160
	494,310	493,895

Approved by the Board:

ROSA MURNAGHAN
Director

CANADA LANDS COMPANY LIMITED—*Continued*

APPENDIX 1—*Concluded*

CANADA LANDS COMPANY (VIEUX-PORT DE QUÉBEC) INC.—*Concluded*

NOTES TO THE BALANCE SHEET
AS AT MARCH 31, 1995

1. Authority and activities

Canada Lands Company (Vieux-Port de Québec) inc. was incorporated on April 9, 1981 under the *Canada Business Corporations Act* and is a wholly-owned subsidiary of Canada Lands Company Limited, a Crown corporation named in Part I of Schedule III to the *Financial Administration Act*.

Effective August 1, 1981, pursuant to an agreement between the Corporation and Her Majesty in Right of Canada represented by the Minister of Public Works and Government Services, the Corporation has been responsible for the implementation of a general development plan for the lands of the Vieux-Port de Québec under its jurisdiction and for administering, managing, promoting and operating such lands and their developments. The Corporation fulfilled this responsibility in the name and for the account of the Minister of Public Works and Government Services who continues to hold title to the capital assets for the benefit of Her Majesty.

On May 26, 1988, by order of the Governor General in Council, the Minister of Public Works and Government Services was authorized to terminate the said agreement. Since April 1st, 1988, the management of the Corporation's affairs has been assumed by the Department of Public Works and Government Services.

From February 9, 1984 to February 27, 1986, the Corporation was responsible for its own account for the management, charge and direction of a parcel of land together with the improvements thereon which had been transferred to it, subject to certain limiting conditions, by order of the Governor General in Council on February 9, 1984. This property was retroceded on February 27, 1986.

2. Accounts receivable

The accounts receivable include the following amounts:

	$
Public services organization	466,430
Other	18,435
	484,865

The amount receivable from the public services organization is for specific work carried out by the Corporation during the year 1982-83. The related cost is recoverable upon the signing of a protocol by the Corporation, the Canada Ports Corporation and the organization. The protocol, not yet signed, provides for the transfer of certain privileges from the Corporation and the Canada Ports Corporation. The Corporation has not yet decided to transfer the privileges requested by the organization. It is possible that the Corporation may not recover the related cost.

3. Due to Minister of Public Works and Government Services

	1995	1994
	$	$
Balance at beginning of the year	8,200	7,985
Interest from short-term investment	415	215
Balance at end of the year	8,615	8,200

4. Capital stock

The Corporation is authorized to issue a single share, to be held in trust for Her Majesty in Right of Canada and which may not be transferred without the consent of the Governor General in Council. The authorized share has been issued in consideration of services rendered.

5. Contingencies

The Corporation and the corporation Québec 1534-1984 signed a protocol of general understanding determining the rights and obligations of each party for the staging in 1984 of a festive event and for the use of the site and of the equipment under the jurisdiction of the Corporation. Under the terms of the agreement, the Corporation had not granted the right to use the totality of the site, reserving for itself some premises that it might rent for commercial purposes. Leases were signed but, because of poor attendance, several were modified, cancelled or abandoned. The Corporation has received claims arising from these leases and from other activities. These claims totalled approximately $1.1 million as at March 31, 1995 ($1.2 million as at March 31, 1994). The Department of Public Works and Government Services assumes the settlement of these claims.

CANADA LANDS COMPANY LIMITED—*Continued*

APPENDIX 2

CANADA MUSEUMS CONSTRUCTION CORPORATION INC.

MANAGEMENT RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements of the Canada Museums Construction Corporation Inc. are the responsibility of management and have been approved by members of the Board of Directors of the Corporation. The financial statements have been prepared by management in accordance with generally accepted accounting principles and, where appropriate, include amounts based on management's estimates and judgement. Management is also responsible for all other information in the annual report and for ensuring that this information is consistent, where appropriate, with the information and data contained in the financial statements.

Management has developed and maintains books of account, records, financial and management controls and information systems. The internal controls are designed to provide reasonable assurance that relevant and reliable financial information is produced, that assets are safeguarded and controlled and that transactions are in accordance with Part X of the *Financial Administration Act* and regulations, the *Canada Business Corporations Act* and the articles and by-laws of the Corporation.

The Board of Directors is composed of three directors, all of whom are not employees of the Corporation. The Board of Directors has the responsibility to review and approve the financial statements, as well as overseeing management's performance of its financial reporting responsibilities. The Board is also responsible for meeting with management and external auditors to discuss the financial reporting process as well as auditing, accounting and reporting issues.

The independent auditor, the Auditor General of Canada, is responsible for auditing the transactions and the financial statements and for issuing his report thereon.

R.A. Quail
Chairman and Chief Executive Officer

R. Plourde
Treasurer and Comptroller

AUDITOR'S REPORT

TO THE MINISTER DESIGNATE OF PUBLIC WORKS AND GOVERNMENT SERVICES

I have audited the balance sheet of Canada Museums Construction Corporation Inc. as at March 31, 1995 and the statement of changes in financial position for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 1995 and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles. As required by the *Financial Administration Act*, I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Corporation that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Canada Business Corporations Act* and the articles and by-laws of the Corporation.

D. Larry Meyers, FCA
Deputy Auditor General
for the Auditor General of Canada

Ottawa, Canada
June 16, 1995

CANADA LANDS COMPANY LIMITED—*Continued*

APPENDIX 2—*Continued*

CANADA MUSEUMS CONSTRUCTION CORPORATION INC.—*Continued*

BALANCE SHEET AS AT MARCH 31, 1995
(in thousands of dollars)

ASSETS	1995	1994
Cash and investments	2,134	1,486
Accounts receivable		
Public Works and Government Services Canada (Note 7(a))		132
Others	6	1
Construction in progress (Schedule)		
	2,140	1,619

LIABILITIES	1995	1994
Accounts payable and accrued liabilities	1,210	947
Contractors' holdbacks payable	58	596
	1,268	1,543
EQUITY OF CANADA		
Capital stock (Note 3)		
Equity (Note 4)	872	76
	2,140	1,619

Contingencies and claims (Note 6)

Approved by the Board:

R.A. QUAIL
Chairman and Chief Executive Officer

B.J. VEINOT
Director

CANADA LANDS COMPANY LIMITED—*Continued*

APPENDIX 2—*Continued*

CANADA MUSEUMS CONSTRUCTION CORPORATION INC.—*Continued*

STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED MARCH 31, 1995
(in thousands of dollars)

	1995	1994
Operating activities		
Net construction cost recoveries for the year (Schedule)	796	405
Changes in non-cash assets and liabilities		
Accounts receivable	127	54
Accounts payable and accrued liabilities	263	(1,343)
Contractors' holdbacks payable	(538)	(77)
Cash provided by (used in) operating activities	648	(961)
Increase (decrease) in cash	648	(961)
Cash at beginning of year	1,486	2,447
Cash at end of year	2,134	1,486

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1995

1. Authority and activities

The Corporation was incorporated in 1982 under the *Canada Business Corporations Act* as an agent of Her Majesty pursuant to the *Government Companies Operations Act*, and was named as a parent Crown corporation in Part I of Schedule III to the *Financial Administration Act*. Until November 26, 1991, two-thirds of the capital stock was held by the Canada Lands Company Limited, also a parent Crown corporation, and one-third by the Minister of Public Works, the responsible Minister with whom the control of the Corporation lies.

On November 26, 1991, Royal assent was given to Bill C-8 making Canada Museums Construction Corporation Inc. a wholly-owned subsidiary of Canada Lands Company Limited. Accordingly, the share previously held by the Minister of Public Works was transferred to Canada Lands Company Limited and the Corporation has been deleted from Part I of Schedule III to the *Financial Administration Act*.

The business of the Corporation is limited to construction, in the National Capital Region, of buildings for the National Gallery of Canada (NGC), the Canadian Museum of Civilization (CMC) and any other national museum which the Governor in Council may direct, including the acquisition, control, administration and disposal of land required for the construction.

(a) Status of the Corporation

The phasing out of the remaining activities of the Corporation, including the resolution of outstanding contractors' claims on both museum projects, is currently handled by Public Works and Government Services Canada, with the assistance of a former employee of the Corporation under contract. The Corporation will be dissolved when all outstanding claims are resolved.

(b) Funding

In September 1981, the Government allocated $185 million for the two projects. Subsequently, additional increases were approved by Treasury Board to bring the total of funds allocated for construction of the museums to $338.21 million for the period to March 31, 1995, as follows:

	NGC	CMC	Total
	(in millions of dollars)		
Construction	121.85	161.16	283.01
Architects and consultants	14.30	26.20	40.50
	136.15	187.36	323.51
Administration expenses	6.95	7.75	14.70
	143.10	195.11	338.21

CANADA LANDS COMPANY LIMITED—*Continued*

APPENDIX 2—*Continued*

CANADA MUSEUMS CONSTRUCTION CORPORATION INC.—*Continued*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1995—*Continued*

(c) Transfer of National Gallery of Canada building

During 1988-89, custody and control of the National Gallery of Canada building was transferred from the Corporation to the Department of Public Works. Accordingly, the construction in progress and equity accounts have been reduced by the net construction cost to March 31, 1995, in the amount of $140.7 million. In accordance with the terms of the memorandum of understanding between the Corporation and the Department of Public Works, the Corporation continued to be responsible for resolving outstanding construction and consultant claims until June 30, 1992 when all outstanding matters were transferred to the Department of Public Works.

(d) Transfer of Canadian Museum of Civilization Building

During 1990-91, custody and control of the Canadian Museum of Civilization building was transferred from the Corporation to the Department of Public Works. Accordingly, the construction in progress and equity accounts have been reduced by the net construction cost to March 31, 1995 in the amount of $196.5 million. In accordance with the terms of a memorandum of understanding between the Corporation and the Department of Public Works, the Corporation continued to be responsible to complete certain work items and deficiencies and to resolve outstanding construction and consultant claims until June 30, 1992, when all outstanding matters were transferred to the Department of Public Works.

(e) Post-construction program

On November 1, 1990 Treasury Board approved $2.7 million for the post-construction program for the Canadian Museum of Civilization, including the work to upgrade the Omnimax theatre hoisting system. This work has been managed by Public Works and Government Services Canada (PWGSC). However, because of contractual requirements, certain elements of the work are contracted through CMCC on a cost recovery basis from PWGSC.

(f) Additional funding for settlement of claims

On November 7, 1991, Treasury Board considered and approved a submission from the Corporation requesting additional funding of $3.0 million in the 1991-92 Final Supplementary Estimates in order to alleviate an anticipated cash shortfall as a result of the settlement of the contractors' claims at the Canadian Museum of Civilization.

2. Significant accounting policies

(a) Basis of accounting

These financial statements account for the costs incurred by the Corporation in the construction of the museums. They do not account for costs incurred by National Capital Commission for sites or by the former National Museums of Canada for accommodation planning and fit-ups.

(b) Capitalization

All expenditures, including those for site evaluation, design, construction and administration, are capitalized. Interest, management fees and other income are credited to construction in progress. Costs are allocated directly to each museum when they can be specifically identified. The administration expenses are allocated to each project on the basis described in Note 8.

3. Capital stock

The Corporation is authorized to issue three shares with a nominal value of $1 which shall not be transferred without the approval of the Governor in Council.

4. Equity

	1995	1994
	(in thousands of dollars)	
Opening balance	76	(329)
Transfer of net construction cost recoveries	796	405
Ending balance	872	76

5. Contractual obligations

As at March 31, 1995, commitments for construction and related costs for the Canadian Museum of Civilization amounted to approximately $116,000.

6. Contingencies and claims

Claims have been made against the Corporation totalling approximately $6.0 million for additional construction costs. The final outcome of these claims is not determinable and, accordingly, these items are not reflected in the accounts, except for a provision for anticipated settlements of these claims included in the accounts payable and accrued liabilities.

Settlements, if any, resulting from the resolution of these claims will be accounted for in the year in which the settlements occur.

CANADA LANDS COMPANY LIMITED—*Continued*

APPENDIX 2—*Continued*

CANADA MUSEUMS CONSTRUCTION CORPORATION INC.—*Continued*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1995—*Concluded*

7. Related party transactions

(a) Under cost recovery arrangements with Public Works and Government Services Canada, the Corporation receives or provides various services. The following summarizes the post-construction work transactions:

Accounts receivable March 31, 1994	Amounts billed during 1995	Amounts received during 1995	Accounts receivable March 31, 1995
(in thousands of dollars)			
132	7	139	

(b) In addition, the Corporation was billed and paid the sum of $197,000 in 1994-95 ($136,000 in 1993-94) for services rendered by Public Works and Government Services Canada employees in connection with the resolution of claims by contractors against the Corporation.

(c) The Corporation receives audit and legal services without charge from the Office of the Auditor General of Canada and the Department of Justice respectively.

d) In addition to those related party transactions disclosed elsewhere in these financial statements, the Corporation is related in terms of common ownership to all Government of Canada created departments, agencies and Crown corporations. The Corporation enters into transactions with these entities in the normal course of business.

8. Administration expenses

The Corporation incurred the following administration expenses which have been allocated to the Museum of Civilization project only.

	1995	1994
	(in thousands of dollars)	
Professional and Special Services	124	576
Government Services	197	136
Other	2	11
	323	723

CANADA LANDS COMPANY LIMITED—*Concluded*

APPENDIX 2—*Concluded*

CANADA MUSEUMS CONSTRUCTION CORPORATION INC.—*Concluded*

SCHEDULE OF CONSTRUCTION IN PROGRESS
FOR THE YEAR ENDED MARCH 31, 1995
(in thousands of dollars)

	National Gallery of Canada			Canadian Museum of Civilization			Total		
	Balance to March 31, 1994	1995	Balance to March 31, 1995	Balance to March 31, 1994	1995	Balance to March 31, 1995	Balance to March 31, 1994	1995	Balance to March 31, 1995
Construction costs (Net of Insurance Recoveries)	114,405	(369)	114,036	146,368	(723)	145,645	260,773	(1,092)	259,681
Landscaping	4,552		4,552	7,224		7,224	11,776		11,776
Fit-up	7,046		7,046	29,609		29,609	36,655		36,655
Architects and consultants	16,284	7	16,291	32,910	28	32,938	49,194	35	49,229
Construction managers	6,252		6,252	13,157		13,157	19,409		19,409
	148,539	(362)	148,177	229,268	(695)	228,573	377,807	(1,057)	376,750
Administration (Note 8)	7,360		7,360	12,692	323	13,015	20,052	323	20,375
	155,899	(362)	155,537	241,960	(372)	241,588	397,859	(734)	397,125
Less:									
Funding by NMC	8,776		8,776	35,677		35,677	44,453		44,453
Funding by NCC	4,000		4,000	3,700		3,700	7,700		7,700
Funding by PWGSC	590	7	597	2,287		2,287	2,877	7	2,884
Interest income	1,419		1,419	3,330	55	3,385	4,749	55	4,804
	14,785	7	14,792	44,994	55	45,049	59,779	62	59,841
Net cost	141,114	(369)	140,745	196,966	(427)	196,539	338,080	(796)	337,284
Transfer of NGC and CMC to PWC (Notes 1(c), 1(d) and 4)	(141,114)	369	(140,745)	(196,966)	427	(196,539)	(338,080)	796	(337,284)

CANADA MORTGAGE AND HOUSING CORPORATION

FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 1994

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

CMHC management is responsible for establishing and maintaining a system of books, records, internal controls and management practices to provide reasonable assurance that: reliable financial information is produced; the assets of the Corporation are safeguarded and controlled; the transactions of the Corporation are in accordance with the relevant legislation, regulations and by-laws of the Corporation; the resources of the Corporation are managed efficiently and economically; and the operations of the Corporation are carried out effectively.

Management is also responsible for the integrity and objectivity of the financial statements of the Corporation. The accompanying financial statements for the year ended December 31, 1994 were prepared in accordance with generally accepted accounting principles in Canada. The financial information contained elsewhere in this report is consistent with that in the financial statements.

The Board of Directors is responsible for ensuring that management fulfils its responsibilities for financial reporting and internal control. The Board exercises its responsibilities through the Audit Committee, which includes a majority of members who are not officers of the Corporation. The Committee meets from time to time with management, internal audit staff, and independent external auditors to review the manner in which these groups are performing their responsibilities, and to discuss auditing, internal controls, and other relevant financial matters. The Audit Committee has reviewed the financial statements with the external auditors and has submitted its report to the Board of Directors which has approved the financial statements.

The financial statements have been examined by the joint external auditors, J. Colin Potts, FCA, of the firm Deloitte & Touche, and Wm. F. Radburn, FCA, for the Auditor General of Canada. Their report offers an independent opinion on the financial statements to the Minister Responsible for Canada Mortgage and Housing Corporation.

E.A. Flichel
President and Chief Executive Officer

Karen Kinsley
Vice-President, Finance

AUDITORS' REPORT

TO THE MINISTER RESPONSIBLE FOR CANADA MORTGAGE AND HOUSING CORPORATION

We have audited the balance sheets of the Canada Mortgage and Housing Corporation for the Corporate Account and Insurance and Guarantee Funds as at December 31, 1994, and the related statements of operations and reserve fund, operations and deficit, and changes in financial position, and the Minister's Account statement of expenses and recoveries for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 1994 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles in Canada. As required by the *Financial Administration Act*, we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in our opinion, the transactions of the Corporation that have come to our notice during our audit of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Canada Mortgage and Housing Corporation Act*, the *National Housing Act* and the by-laws of the Corporation except for the level of insurance policies in force as disclosed in Note 21.

J. Colin Potts, FCA
of the firm Deloitte & Touche

Wm. F. Radburn, FCA
Assistant Auditor General
for the Auditor General of Canada

Ottawa, Canada
March 31, 1995

CANADA MORTGAGE AND HOUSING CORPORATION—*Continued*

CORPORATE ACCOUNT

BALANCE SHEET DECEMBER 31, 1994
(in thousands of dollars)

ASSETS	1994	1993
Loans and investments (Notes 3 and 4)	10,476,748	9,037,586
Cash and short term investments (Note 5)	565,755	387,624
Deferred recoveries from the Minister's Account	325,534	237,708
Due from the Minister's Account (Note 7)	252,271	263,812
Assets under capital lease (Note 8)	30,822	32,794
Business premises and equipment (Note 9)	32,024	28,957
Accounts receivable	40,624	5,688
Deferred income taxes	11,863	10,981
Other assets	33,294	8,417
	11,768,935	10,013,567

LIABILITIES	1994	1993
Borrowings from the Government of Canada (Notes 3 and 10)	7,957,663	8,295,308
Capital market borrowings (Note 10)	3,409,540	1,308,944
Obligation under capital lease (Note 11)	35,144	36,219
Accounts payable and accrued liabilities	304,262	301,753
Due to the Receiver General for Canada	14,526	10,841
Due to insurance and guarantee funds	4,070	10,502
	11,725,205	9,963,567
CAPITAL AND RESERVE FUND		
Capital		
Authorized and fully paid by the Government of Canada	25,000	25,000
Reserve fund (Note 12)	18,730	25,000
	11,768,935	10,013,567

The accompanying notes are an integral part of the financial statements.

CANADA MORTGAGE AND HOUSING CORPORATION—*Continued*

CORPORATE ACCOUNT

STATEMENT OF OPERATIONS AND RESERVE FUND
YEAR ENDED DECEMBER 31, 1994
(in thousands of dollars)

	1994	1993
Interest earned (Notes 3 and 13)	857,533	778,937
Interest expense	842,477	746,038
Margin on financing operations	15,056	32,899
Real estate sales	19,357	19,054
Cost of real estate sold	5,623	10,670
Gain on real estate sales	13,734	8,384
Other income	611	2,221
Income before operating expenses	29,401	43,504
Operating expenses (Note 14)	35,661	34,163
Income (loss) before taxes	(6,260)	9,341
Taxes (Note 15)	10	3,777
Net income (loss)	(6,270)	5,564
Reserve fund, beginning of year	25,000	25,000
	18,730	30,564
Due to the Receiver General for Canada		5,564
Reserve fund, end of year	18,730	25,000

The accompanying notes are an integral part of the financial statements.

CORPORATE ACCOUNT

STATEMENT OF CHANGES IN FINANCIAL POSITION
YEAR ENDED DECEMBER 31, 1994
(in thousands of dollars)

	1994	1993
Operating activities		
Net income (loss)	(6,270)	5,564
Add (deduct)		
Amortization	4,747	4,618
Deferred income taxes	(882)	72
	(2,405)	10,254
Changes in		
Due to/from		
the Receiver General for Canada	3,684	(5,065)
insurance and guarantee funds	(6,432)	4,089
the Minister's Account	11,541	(35,323)
Accounts receivable	(34,936)	(2,704)
Accounts payable and accrued liabilities	2,509	43,036
Accrued interest payable	35,652	4,488
Accrued interest receivable	14,044	7,976
Other assets	(24,876)	(5,700)
	(1,219)	21,051
Investment activities		
Loans and investments		
Repayments	353,450	331,738
Additions	(1,806,656)	(894,460)
Increase in deferred recoveries from the Minister's Account	(87,826)	(80,807)
Additions to business premises and equipment	(5,842)	(8,064)
	(1,546,874)	(651,593)
Financing activities		
Borrowings from the Government of Canada		
Borrowings		263,449
Repayments	(334,247)	(453,630)
Capital market borrowings	2,061,546	1,303,944
Repayment of obligation under capital lease	(1,075)	(961)
	1,726,224	1,112,802
Increase in cash position	178,131	482,260
Cash and short term investments		
Beginning of year	387,624	(94,636)
End of year	565,755	387,624

The accompanying notes are an integral part of the financial statements.

MINISTER'S ACCOUNT

STATEMENT OF EXPENSES AND RECOVERIES
YEAR ENDED DECEMBER 31, 1994
(in thousands of dollars)

	1994	1993
Expenses		
Market housing	48,257	71,231
Social housing	1,696,327	1,716,194
Housing support	6,539	16,177
Fees paid to delivery agents	18,620	25,701
Operating expenses (Note 14)	98,302	105,577
Expenses recoverable (Note 7)	1,868,045	1,934,880

The accompanying notes are an integral part of the financial statements.

CANADA MORTGAGE AND HOUSING CORPORATION—*Continued*

INSURANCE AND GUARANTEE FUNDS

BALANCE SHEET
DECEMBER 31, 1994
(in thousands of dollars)

ASSETS	1994	1993
	(Note 22)	
Investment in securities (Note 16)	1,761,057	1,550,502
Real estate	289,572	242,154
Mortgages	16,343	19,974
Accounts receivable and other assets	699	3,136
Deferred income taxes	21,341	17,899
Due from Corporate Account	4,070	10,502
	2,093,082	1,844,167

LIABILITIES	1994	1993
	(Note 22)	
Accounts payable and accrued liabilities	6,084	5,716
Provision for claims	649,809	594,127
Unearned premiums and guarantee fees	1,430,925	1,185,404
Premium deficiency	55,062	20,491
	2,141,880	1,805,738
SURPLUS (DEFICIT)		
Unappropriated surplus (deficit)	(48,798)	28,429
Appropriated surplus		10,000
	(48,798)	38,429
	2,093,082	1,844,167

The accompanying notes are an integral part of the financial statements.

INSURANCE AND GUARANTEE FUNDS

STATEMENT OF OPERATIONS AND DEFICIT
YEAR ENDED DECEMBER 31, 1994
(in thousands of dollars)

	1994	1993
	(Note 22)	
Revenues		
Earned premiums and guarantee fees	300,542	237,014
Application fees	41,276	37,650
Income from investments	86,707	159,030
Other	3,456	2,848
	431,981	436,542
Expenses		
Loss on claims	301,476	297,177
Operating expenses (Note 14)	119,500	103,793
Adjustment to provision for claims	55,682	86,363
	476,658	487,333
Loss before the undernoted	(44,677)	(50,791)
Adjustment to premium deficiency	(34,571)	290
Loss before taxes	(79,248)	(50,501)
Taxes (Note 15)	7,979	6,400
Net loss	(87,227)	(56,901)
Unappropriated surplus (deficit)		
Balance, beginning of year	28,429	48,825
Transfer from appropriated surplus	10,000	48,000
Assets returned to the Government of Canada		(11,495)
Balance, end of year	(48,798)	28,429
Appropriated surplus		
Balance, beginning of year	10,000	58,000
Transfer to unappropriated surplus	(10,000)	(48,000)
Balance, end of year		10,000
Surplus (deficit), end of year	(48,798)	38,429

The accompanying notes are an integral part of the financial statements.

INSURANCE AND GUARANTEE FUNDS

STATEMENT OF CHANGES IN FINANCIAL POSITION
YEAR ENDED DECEMBER 31, 1994
(in thousands of dollars)

	1994	1993
	(Note 22)	
Operating activities		
Premiums and guarantee fees received	546,063	464,529
Application fees received	41,276	37,650
Investment income received	97,397	179,154
Claims paid	(512,927)	(482,420)
Proceeds from sales of real estate	188,382	177,321
Operating expenses paid	(119,500)	(104,272)
Taxes paid	(12,080)	581
Other	(15,661)	(11,039)
	212,950	261,504
Investment activities		
Investment in securities	(219,382)	(245,920)
Financing activities		
Assets returned to the Government of Canada		(11,495)
Increase (decrease) in due from Corporate Account	(6,432)	4,089

The accompanying notes are an integral part of the financial statements.

CANADA MORTGAGE AND HOUSING CORPORATION—*Continued*

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 1994

1. BASIS OF PRESENTATION

Canada Mortgage and Housing Corporation was incorporated as a Crown Corporation January 1, 1946. The Corporation is regulated by the *Canada Mortgage and Housing Corporation Act*. The Corporation's mandate, as stated in the *National Housing Act*, is "to promote the construction of new houses, the repair and modernization of existing houses, the improvement of housing and living conditions." The Corporation is for all purposes an agent of Her Majesty in the right of Canada.

The Corporation has three separate responsibilities under its mandate and maintains separate accounting records for each. Separate financial statements are presented in order to preserve the separate identities of the assets, liabilities, capital, reserve fund, surpluses or deficit.

Together, these statements constitute the financial statements of the Corporation and reflect all of the transactions of the Corporation for the year ended December 31, 1994.

Corporate Account

Within this responsibility, the Corporation makes loans and other investments under various provisions of the *National Housing Act*, develops and sells land holdings, and provides services in housing related areas. Funding is provided by borrowings from the Government of Canada and capital markets.

Minister's Account

The Corporation administers housing programs under provisions of the *National Housing Act* with funding provided by the Government of Canada through annual Parliamentary appropriations. The Corporation is reimbursed for the related operating expenses.

Insurance and Guarantee Funds

The Corporation administers insurance and guarantee funds under provisions of the *National Housing Act*. The Mortgage Insurance Fund provides insurance against borrower default on residential mortgages. The Mortgage-backed Securities Guarantee Fund guarantees the principal and interest for investors of securities based on insured mortgages.

In total, the Corporation manages:

	1994	1993
	(in thousands of dollars)	
Assets	13,857,947	11,847,232
Liabilities	13,863,015	11,758,803
Portion payable to Government of Canada	7,957,663	8,295,308
Parliamentary appropriations for Government funded programs	1,868,045	1,934,880
Operating expenses	253,463	243,533

Operating expenses are allocated to the three separate areas of responsibility as disclosed in Note 14.

2. SUMMARY OF ACCOUNTING POLICIES

These financial statements are prepared in accordance with generally accepted accounting principles in Canada.

(a) Loans

Corporate Account

No provisions are made for possible losses on loans. Losses on insured loans are recoverable from the Mortgage Insurance Fund. Property acquired upon default of uninsured loans is subject to loss recovery as described under Real Estate. Other losses on uninsured loans are recoverable from the Government of Canada through the Minister's Account.

If loans contain forgiveness clauses, such forgiveness is recorded and recovered from the Government of Canada through the Minister's Account when the loans are advanced.

Loans under certain programs give rise to interest rate losses that are recoverable from the Government of Canada through the Minister's Account.

Insurance and Guarantee Funds

Mortgages are valued at cost less a provision for estimated loss.

(b) Federal-Provincial Agreements

Loans and investments are made under various cost-sharing agreements with the provinces and territories to encourage the development of rental housing, land assembly, cooperative housing, rural and native housing, and housing rehabilitation.

Only the Corporation's share of costs plus capitalized interest are reflected in these statements.

The Corporation's share of subsidies and losses related to these agreements is recovered from the Government of Canada through the Minister's Account.

Gains on the sale of land assembly projects are recognized as income in the Corporate Account.

(c) Real Estate

Corporate Account

Real estate includes vacant land and properties acquired directly by the Corporation, or through the Government of Canada at no cost, or through default on uninsured loans.

All real estate is recorded at cost, which includes acquisition costs and any modernization and improvement costs.

Holding costs, including interest, on real estate acquired directly by the Corporation are capitalized up to appraised value after which the costs are expensed in the Corporate Account.

Holding costs, including interest, on real estate acquired through the Government of Canada at no cost, or through default on uninsured loans, are capitalized. Gains or losses on the disposal of these properties are paid to or recovered from the Government of Canada through the Minister's Account. All net operating losses on real estate are recovered from the Government of Canada through the Minister's Account.

Buildings included as real estate in Loans and Investments are amortized and charged to the Government of Canada through the Minister's Account on a straight-line basis over the same term as the related borrowings.

Insurance and Guarantee Funds

Real estate acquired upon the payment of a claim resulting from a loan default is valued at net realizable value. Net realizable value is calculated as the current appraised value of the property, as determined by the Corporation, less the discounted value of estimated holding and disposal costs. Amortization is not recorded on the real estate.

(d) Deferred Recoveries from the Government of Canada through the Minister's Account

Effective April 1, 1991, expenditures to modernize and improve certain properties are recovered from the Government of Canada through the Minister's Account over a period of ten years.

(e) Amortization

Assets under Capital Lease, Business Premises and Equipment are amortized on a diminishing balance basis over the estimated useful life of the asset. Leasehold improvements are amortized on a straight-line basis.

(f) Derivative Financial Instruments

The Corporation enters into interest rate swap contracts and forward rate agreements as hedges in conjunction with overall risk and liability management activities within guidelines set by the Department of Finance.

Gains and losses resulting from termination of these contracts transacted to manage risk exposure, which are not valued at current market rates, are deferred and amortized on a straight-line basis to interest income or interest expense over the term of the exposure.

(g) Short Term Investments

Investments are carried at amortized cost plus accrued interest.

Premiums and discounts on investments are amortized to income over the period to maturity of the related investments. Gains or losses on investments not designated as hedges are recognized in the period realized.

The Corporation has a policy of matching the maturity structure of its assets with that of its liabilities. In those cases where funds are raised in advance of the investment in loans, the Corporation holds short term investments as hedges of the anticipated investments in loans. The term to maturity of the short term investments matches the term of the borrowing, so that the Corporation is hedged against movements in the interest rates between the date of borrowing, and the date that the short term investments are sold and loans made.

For investments designated as hedges as part of the Corporation's Asset/Liability management strategy, interest earned on the short term investments is recognized as income in the current period, whereas gains and losses at disposal of the investments are deferred and amortized on a straight-line basis over the term of the corresponding loan assets. Deferred gains or losses are included in other assets.

(h) Investment in Securities

Investments are carried at amortized cost plus accrued interest.

Premiums and discounts on investments are amortized to income over the period to maturity of the related securities. Gains or losses on investments not designated as hedges are recognized in the period realized.

Investments are purchased with the original intention to hold the securities to maturity or until market conditions render alternative investments more attractive. Securities are written down to fair value when declines in value are other than temporary. Gains and losses realized on disposal of securities and write-downs to reflect other than temporary impairment in value are included in interest income from the securities in the year in which they occur.

(i) Provision for Claims

This provision represents the estimated loss on claims in process of payment and the estimated loss on loans, where defaults have occurred, but for which claims have not yet been received by the Corporation.

(j) Premiums

Premiums are deferred and are taken into income over the life of the related policies based on the risk of default in each year.

(k) Premium Deficiency

Annually, the Corporation compares the amount of its unearned premiums by line of business to the discounted costs of claims that have not yet occurred on insurance policies in force. Whenever it is determined that the unearned premiums on a line of business are inadequate to meet the expected net costs of future claims, a premium deficiency is charged to operations. Subsequently, it is taken into income on the same basis as unearned premiums.

(l) Guarantee Fees

Guarantee fees are deferred and are taken into income over the term of the relative Mortgage-backed Security issue on a straight-line basis. Issues currently exist with maturities up to the year 2019.

(m) Application Fees

Application fees are recognized as income when received.

(n) Insurance Issuance Costs

Issuance costs are expensed as incurred.

(o) Pension Costs and Obligations

The cost of pension benefits earned by employees is charged to income as services are rendered. Adjustments arising from pension plan amendments, experience gains and losses, and changes in assumptions are amortized over the expected average remaining service life of the employee group.

(p) Post-Retirement Benefits

Post-retirement benefits are expensed as incurred.

CANADA MORTGAGE AND HOUSING CORPORATION—*Continued*

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 1994—*Continued*

3. INTEREST RATE RISK—PREFERENTIAL LENDING AND BORROWING ARRANGEMENTS

In 1991 the Government of Canada discontinued the Corporation's right of prepayment without penalty on its borrowings from the Consolidated Revenue Fund.

Of the borrowings, $3.2 billion was for loans made by the Corporation prior to 1986 under various sections of the *National Housing Act* which have prepayment without penalty privileges. These loans have original terms of up to 50 years. As a result, the Corporation was required to assume the interest rate risk which was previously borne by the Government of Canada.

In 1994, borrowers continued to exercise their prepayment privileges thereby exposing the Corporate Account to reduced margins on financing operations.

Reductions on margin pertaining to renegotiated loans to date are:

	(in thousands of dollars)
1993	6,000
1994	26,500
1995	28,800
1996	28,900
1997	29,000
1998	18,400
1999	10,200

The effect of the Government of Canada transferring their interest rate risk to the Corporation resulted in the earnings of the Corporate Account being reduced in 1994 by $16.5 million, net of income tax of $10 million, and a consequential loss for the year of $6.3 million.

This transfer also exposes the Corporation to losses in future years which could be material and significant in relation to the Corporate Account Capital and Reserve Fund.

Management estimates that the potential additional reduction on margin on loans not yet renegotiated, depending on prevailing interest rates will range from $6.5 million to $12.7 million per annum over the next five years.

The renegotiated loans together with others which may yet be renegotiated could result in an accumulated loss of revenue of approximately $200 million for the period.

Uncertainty in forecasting future interest rates precludes reasonable estimation of impacts beyond five years.

The Corporation is pursuing resolution of this interest rate risk issue with the Government of Canada.

4. LOANS AND INVESTMENTS

	1994	1993
	(in thousands of dollars)	
Loans	5,033,621	4,256,384
Federal-Provincial Agreements		
Loans	3,545,288	2,886,521
Investments in housing projects	1,755,487	1,775,253
Land assembly projects	31,669	29,228
	5,332,444	4,691,002
Real estate		
Investments in housing projects	32,307	24,914
Land	78,376	65,286
	110,683	90,200
Total loans and investments	10,476,748	9,037,586

The amount of interest capitalized on real estate in 1994 was $4.8 million (1993—$3.9 million).

In accordance with the terms of the *National Housing Act*, the Government of Canada will reimburse the Corporation for any losses incurred on uninsured loans, Federal-Provincial Agreements and Investments in Housing Projects under Real Estate.

Any losses claimed from the Government of Canada are charged to the Minister's Account in the year they are claimed. The funding for these losses is included in the main and supplementary estimates, tabled in Parliament.

5. CASH AND SHORT TERM INVESTMENTS

	1994		1993	
	Book value	Market value	Book value	Market value
	(in thousands of dollars)			
Cash	(3,806)	(3,806)	16,282	16,282
Short term investments	569,561	567,540	371,342	372,814
Total	565,755	563,734	387,624	389,096

The Short Term Investments have maturities which range up to five years.

As at December 31, 1994, $18 million of losses on sale of Short Term Investments used as hedges have been deferred and are included in Other Assets. These losses offset increases in lending rates.

6. OFF-BALANCE SHEET DERIVATIVE FINANCIAL INSTRUMENTS

The Corporation employs derivative contracts to manage its interest risk exposure. These contracts include:

Interest rate basis swaps, in which the Corporation exchanges the monthly interest receipts on a notional amount of loans for the receipt of an equivalent amount of interest determined on a semi-annual basis. These swaps convert the Corporation's interest income on loans to the same basis as the interest expense on the debt that finances the loans;

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 1994—*Continued*

Floating to fixed and fixed to floating interest rate swaps, exchange a fixed monthly payment on a notional amount in exchange for a floating interest rate on the same notional amount. These swaps convert the floating rate portion of debt that finances fixed rate assets to the same fixed interest rate basis as the assets;

Forward rate agreements, in which the Corporation fixes in advance the interest it will pay on a notional amount of floating rate debt. These agreements permit the Corporation to fix the interest rate on floating rate instruments it issues to a rate consistent with the assets that such instruments fund.

Amortized notional amount of derivative instruments:

	1994	1993
	(in thousands of dollars)	
Interest rate basis swaps	1,371,812	333,406
Interest rate swaps	1,922,191	907,189
Forward rate agreements	52,696	
Total	3,346,699	1,240,595

The Corporation's credit risk on these instruments is based on the present value of the net stream of payments it contracts to pay and receive, and not the notional amounts on which such payments are based. The extent of the credit risk is limited by engaging in derivative contracts only with counterparties that have superior creditworthiness.

7. DUE FROM THE MINISTER'S ACCOUNT

	1994	1993
	(in thousands of dollars)	
Receivable, beginning of year	263,812	228,489
Minister's Account expenses	1,868,045	1,934,880
Recovered from the Minister	(1,879,586)	(1,899,557)
Receivable, end of year	252,271	263,812

8. ASSETS UNDER CAPITAL LEASE

	Amortization rate	Cost	Accumulated amortization	Net book value 1994	Net book value 1993
	%	(in thousands of dollars)			
Building	4	29,809	4,490	25,319	26,373
Leasehold improvements	10	9,172	3,669	5,503	6,421
Total		38,981	8,159	30,822	32,794

Amortization in 1994 was $2.0 million (1993—$2.0 million).

9. BUSINESS PREMISES AND EQUIPMENT

	Amortization rate	Cost	Accumulated amortization	Net book value 1994	Net book value 1993
	%	(in thousands of dollars)			
Land		166		166	166
Buildings	4 or 5	33,326	9,087	24,239	20,784
Leasehold improvements	20	7,731	7,105	626	638
Equipment	8, 20 or 30	34,010	27,017	6,993	7,369
Total		75,233	43,209	32,024	28,957

Amortization in 1994 was $2.7 million (1993—$2.6 million).

10. BORROWINGS

The Corporation borrows from the Government of Canada and from capital markets under provisions of the *Canada Mortgage and Housing Corporation Act* and the *National Housing Act* to finance loans and investments.

	1994			1993
		Interest rate	Term	
	(in thousands of dollars)			
Government of Canada	7,957,663	2.00 to 17.96%	up to 2039	8,295,308
Capital market				
Commercial paper	375,343	average 6.32 %	less than a year	305,668
Long term bonds	3,034,197	6.11 % to 8.92%	up to 2000	1,003,276
Total	11,367,203			9,604,252

The payments are scheduled as follows:

	Government of Canada	Capital Market: Commercial paper	Capital Market: Long term bonds	Total
	(in thousands of dollars)			
1995	270,282	375,343	34,197	679,822
1996	195,310			195,310
1997	197,531			197,531
1998	200,948		1,000,000	1,200,948
1999	196,325		1,500,000	1,696,325
Thereafter	6,897,267		500,000	7,397,267
Total	7,957,663	375,343	3,034,197	11,367,203

Capital Market Borrowing is limited to $15 billion.

CANADA MORTGAGE AND HOUSING CORPORATION—*Continued*

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 1994—*Continued*

11. OBLIGATION UNDER CAPITAL LEASE

The Corporation financed additions and improvements to the National Office building in 1990 with a long-term lease that is accounted for as a capital lease. The Corporation assumes ownership of the building for a cost of one dollar at the termination of the lease in 2015.

The annual lease payments are $5.2 million for the first 10 years and $3.6 million for the remaining 15 years.

The minimum lease payments are:

	(in thousands of dollars)
1995 to 1999	25,844
2000 to 2015	58,383
Total future minimum lease payments	84,227
Less interest at 11.77 and 11.57 percent	49,083
Present value of minimum lease payments	35,144

Interest expense in 1994 was $4.1 million (1993—$4.2 million).

12. RESERVE FUND

The Reserve Fund is limited by Order-in-Council to $25 million.

13. INTEREST LOSS RECOVERIES

The Corporation was authorized by the Government of Canada to approve certain loans and investments at a negative interest margin and to recover the loss from the Government of Canada through the Minister's Account. The interest loss recovered is included in interest income.

The recoveries by program are:

	1994	1993
	(in thousands of dollars)	
Market housing	11,575	14,951
Social housing	16,804	17,458
Total	28,379	32,409

14. OPERATING EXPENSES

The operating expenses of the Corporation are allocated on the basis of staff utilization as follows:

	1994		1993	
	(in thousands of dollars)	%		%
Corporate Account	35,661	14.0	34,163	14.0
Minister's Account	98,302	38.8	105,577	43.4
Insurance and guarantee funds	119,500	47.2	103,793	42.6
Total	253,463	100.0	243,533	100.0

15. TAXES

Taxes include income tax and Large Corporations Tax (LCT).

The tax rate on income is 38 percent. The Large Corporations Tax rate is 0.2 percent of certain capital amounts.

Taxes are:

	1994			1993		
	Income tax	LCT	Total	Income tax	LCT	Total
	(in thousands of dollars)					
Corporate Account	(363)	373	10	3,711	66	3,777
Insurance and guarantee funds	3,856	4,123	7,979	3,513	2,887	6,400
Total	3,493	4,496	7,989	7,224	2,953	10,177

In 1994, the Corporation has a loss of tax purposes of $32.2 million. This loss will be carried back to recover taxes paid in prior years thereby reducing previously recorded deferred income taxes.

CANADA MORTGAGE AND HOUSING CORPORATION—*Continued*

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 1994—*Continued*

16. INVESTMENTS IN SECURITIES

	1994						1993	
	Within 1 year	1 to 3 years	3 to 5 years	Over 5 years	Total book value	Estimated market value	Total book value	Estimated market value
	(in millions of dollars)							
Mortgage Insurance Fund								
Short-term investments								
Canada Treasury Bills	327.9				327.9	325.2	54.5	54.7
Other	95.7				95.7	95.7	20.2	20.2
Government of Canada Bonds	66.1	104.0	210.2	257.7	638.0	608.3	994.1	1,053.3
Provincial Bonds	10.5		138.4	147.2	296.1	275.5	134.1	153.9
Corporate Bonds	21.2			45.9	67.1	65.0	45.6	23.6
Mortgage-backed Securities	1.7	42.3	145.8	101.1	290.9	277.4	262.9	270.0
Total	523.1	146.3	494.4	551.9	1,715.7	1,647.1	1,511.4	1,575.7
Other Funds								
Short-term investments								
Canada Treasury Bills	11.1				11.1	11.1	2.3	2.3
Other	1.1				1.1	1.1	0.5	0.5
Government of Canada Bonds	2.2	11.1		2.5	15.8	15.7	34.2	36.5
Provincial Bonds			7.3	10.0	17.3	15.9	2.1	2.0
Total	14.4	11.1	7.3	12.5	45.3	43.8	39.1	41.3
Total	537.5	157.4	501.7	564.4	1,761.0	1,690.9	1,550.5	1,617.0

17. COMMITMENTS

(a) Loans and Investments

Commitments outstanding for loans and investments amounted to $367.8 million at December 31, 1994 (1993—$557.7 million).

(b) Operating Leases

Minimum rental payments scheduled over the next five years on business premises and equipment under long-term non-cancellable leases are:

	1995	1996	1997	1998	1999
	(in thousands of dollars)				
Business premises	9,752	8,056	5,530	4,157	2,283
Equipment	14,550	14,581	8,026	2,753	117
Total	24,302	22,637	13,556	6,910	2,400

(c) Future Contractual Obligations

Total financial obligations under contracts for the Minister's Account, Social Housing programs, extend for periods up to 40 years. Uncertainty in forecasting the economic factors used to calculate the financial obligations precludes reasonable estimation beyond five years.

Estimated obligations for the next five years are:

	(in millions of dollars)
1995	1,934
1996	1,913
1997	1,902
1998	1,930
1999	1,964

18. CONTINGENT LIABILITIES

In 1982, the Corporation became defendant, solely or jointly, in legal claims regarding urea formaldehyde foam insulation totalling approximately $32.7 million. While the Corporation was successful before the courts in 1991, the decision has been appealed. It is uncertain if costs arising from the legal claims regarding urea formaldehyde foam insulation would be charged to the Corporate Account or the Government of Canada through the Minister's Account. There are no other legal claims against the Corporate Account at the end of 1994 (1993—nil).

There were other legal claims of $3.8 million at the end of 1994 (1993—$3.8 million), which if successfully held against the Corporation, could result in charges to the Government of Canada through the Minister's Account.

Legal claims of $67.6 million (1993—$29.4 million) are pending against the Mortgage Insurance Fund.

Due to the uncertainty of the outcome of these events, no provision for loss has been made. Costs arising as a result of these actions would be expensed when determined.

19. PENSION PLAN

The Corporation maintains an indexed, defined benefit pension plan. Retirement benefits are based on the average salary in any best five-year period and the number of years of service.

The accrued pension benefits are determined using the projected benefits method prorated on service.

The Corporation's funding policy is to contribute the amount required to provide for current benefits attributed to service and to pay the unfunded pension plan liabilities over periods permitted by regulatory authorities.

CANADA MORTGAGE AND HOUSING CORPORATION—*Continued*

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 1994—*Continued*

Based on an actuarial valuation at January 1, 1993, and using management's best estimates, the status of the plan at December 31 is:

	1994	1993
	(in thousands of dollars)	
Net assets available for benefits	572,424	561,973
Actuarial value of accrued pension benefits	568,091	553,318
Excess of net assets over actuarial value of accrued pension benefits	4,333	8,655
Annual pension cost		
Current service costs	10,724	10,262
Government pension plans	2,356	2,164
Amortization of experience gains and losses	(693)	(692)
Total	12,387	11,734

20. ACTUARIAL VALUATION

(a) Mortgage Insurance Fund

An actuarial study of the Fund as at September 30, 1994 disclosed that the Fund had a pre-tax deficit of $85.7 million (September 30, 1993—$9.4 million surplus).

(b) Provision for Adverse Deviations

The Canadian Institute of Actuaries has initiated a standard of practice requiring the determination of an increase in liability values that is attributable to adverse deviations. The impact of this requirement which is new in 1994 has increased loss provisions by $64.6 million. This change in estimate is accounted for prospectively.

(c) Mortgage-backed Securities Guarantee Fund

Based on an actuarial study as at December 31, 1992, and using Management's best estimates, the unearned guarantee fees are adequate to provide for the risks evaluated and any other residual risk.

21. INSURANCE AND GUARANTEES IN FORCE

(a) Mortgage Insurance Fund

Under section 21 of the *National Housing Act*, the aggregate outstanding amount of all loans for which the insurance policies are issued may not exceed $100 billion. As at December 31, 1994, insurance policies in force totalled approximately $102.2 billion (1993—$86.5 billion). The Corporation is pursuing with the Government of Canada a revision of the authority under the *National Housing Act*.

(b) Mortgage-backed Securities Guarantee Fund

At December 31, 1994, guarantees in force totalled approximately $17.5 billion (1993—$16.3 billion).

CANADA MORTGAGE AND HOUSING CORPORATION—*Continued*

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 1994—*Continued*

22. INSURANCE AND GUARANTEE FUNDS

BALANCE SHEET
(in thousands of dollars)

	Mortgage Insurance Fund		Mortgage-backed Securities Guarantee Fund		Rental Guarantee Fund	
	1994	1993	1994	1993	1994	1993
ASSETS						
Investment in securities	1,715,697	1,511,429	42,233	36,538	3,127	2,535
Real estate	280,572	232,404			9,000	9,750
Mortgages	16,343	19,974				
Accounts receivable and other assets	699	3,136				
Deferred income taxes	20,854	17,516	329	346	158	37
Due from (to) Corporate Account	4,255	10,342	(537)	(390)	352	550
	2,038,420	1,794,801	42,025	36,494	12,637	12,872
LIABILITIES						
Accounts payable and accrued liabilities	6,034	5,677			50	39
Provision for claims	649,809	594,127				
Unearned premiums and guarantee fees	1,405,483	1,159,090	25,442	26,314		
Premium deficiency	55,062	20,491				
	2,116,388	1,779,385	25,442	26,314	50	39
SURPLUS (DEFICIT)						
Unappropriated surplus (deficit)	(77,968)	5,416	16,583	10,180	12,587	12,833
Appropriated surplus		10,000				
	2,038,420	1,794,801	42,025	36,494	12,637	12,872

CANADA MORTGAGE AND HOUSING CORPORATION—*Continued*

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 1994—*Continued*

22. INSURANCE AND GUARANTEE FUNDS—*Continued*

STATEMENT OF OPERATIONS AND DEFICIT
(in thousands of dollars)

	Mortgage Insurance Fund		Mortgage-backed Securities Guarantee Fund		Rental Guarantee Fund	
	1994	1993	1994	1993	1994	1993
Revenues						
Earned premiums and guarantee fees	292,212	230,092	8,330	6,922		
Application fees	40,334	36,044	942	1,606		
Income from investments	83,679	156,088	2,813	2,563	215	310
Other	2,858	2,469		(207)	598	585
	419,083	424,693	12,085	10,884	813	895
Expenses						
Loss on claims	300,584	296,349			892	828
Operating expenses	117,640	101,977	1,620	1,677	240	129
Adjustment to provision for claims	55,682	86,363				
	473,906	484,689	1,620	1,677	1,132	957
Income (loss) before the undernoted	(54,823)	(59,996)	10,465	9,207	(319)	(62)
Adjustment to premium deficiency	(34,571)	290				
Income (loss) before taxes	(89,394)	(59,706)	10,465	9,207	(319)	(62)
Taxes	3,990	2,813	4,062	3,558	(73)	6
Net income (loss)	(93,384)	(62,519)	6,403	5,649	(246)	(68)
Unappropriated surplus (deficit)						
Balance, beginning of year	5,416	19,935	10,180	9,531	12,833	17,901
Transfer from appropriated surplus	10,000	48,000				
Assets returned to the Government of Canada				(5,000)		(5,000)
Balance, end of year	(77,968)	5,416	16,583	10,180	12,587	12,833
Appropriated surplus						
Balance, beginning of year	10,000	58,000				
Transfer to unappropriated surplus	(10,000)	(48,000)				
Balance, end of year		10,000				
Surplus (deficit), end of year	(77,968)	15,416	16,583	10,180	12,587	12,833

CANADA MORTGAGE AND HOUSING CORPORATION—*Concluded*

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 1994—*Concluded*

22. INSURANCE AND GUARANTEE FUNDS—*Concluded*

STATEMENT OF CHANGES IN FINANCIAL POSITION
(in thousands of dollars)

	Mortgage Insurance Fund		Mortgage-backed Securities Guarantee Fund		Rental Guarantee Fund	
	1994	1993	1994	1993	1994	1993
Operating activities						
Premiums and guarantee fees received	538,605	451,099	7,458	13,431		
Application fees received	40,334	36,044	942	1,606		
Investment income received	92,591	175,911	4,589	2,629	217	544
Claims paid	(512,927)	(482,420)				
Proceeds from sales of real estate	188,382	177,321				
Operating expenses paid	(117,640)	(102,459)	(1,620)	(1,676)	(240)	(129)
Taxes paid	(7,987)	4,319	(4,045)	(3,682)	(48)	(33)
Other	(16,152)	(11,031)		(207)	491	203
	205,206	248,784	7,324	12,101	420	585
Investment activities						
Investment in securities	(211,293)	(245,714)	(7,471)	(6,214)	(618)	4,550
Financing activities						
Assets returned to the Government of Canada				(5,000)		(5,000)
Increase (decrease) in due from Corporate Account	(6,087)	3,070	(147)	887	(198)	135

The Rental Guarantee program is no longer active.

23. COMPARATIVE FIGURES

The 1993 comparative figures have been reclassified to conform to the 1994 statement presentation.

CANADA PORTS CORPORATION

AUDITORS' REPORT

TO THE HONOURABLE DOUGLAS YOUNG, P.C., M.P.
MINISTER OF TRANSPORT

We have audited the balance sheet of Canada Ports Corporation as at December 31, 1994 and the statements of income and deficit and changes in financial position for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 1994 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles. As required by the *Financial Administration Act*, we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in our opinion, the transactions of the Corporation that have come to our notice during our examination of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Canada Ports Corporation Act* and the by-laws of the Corporation.

Arthur Anderson & Co.
Chartered Accountants

Ottawa, Canada
February 24, 1995

BALANCE SHEET
AS AT DECEMBER 31, 1994
(in thousands of dollars)

ASSETS	1994	1993
Current		
Cash	1,520	1,366
Short-term investments (Note 3)	24,966	19,296
Accounts receivable	6,884	6,139
Due from Canada	1,008	295
Materials and supplies	2,694	2,719
	37,072	29,815
Investments (Note 3)	18,414	18,348
Fixed assets (Note 4)	97,979	104,863
	153,465	153,026
Interport Loan Fund—Assets (Note 10)	96,097	94,012
	249,562	247,038

LIABILITIES	1994	1993
Current		
Accounts payable and accrued liabilities (Note 5)	17,067	15,280
Due to Interport Loan Fund (Note 6)	1,340	1,114
	18,407	16,394
Accrued employee benefits	2,357	2,306
Deferred revenues	442	
Due to Interport Loan Fund (Note 6)	51,306	47,946
Long-term debt (Note 7)	186,040	196,513
	258,552	263,159
DEFICIENCY OF CANADA		
Contributed capital (Note 8)	111,672	111,672
Deficit (Note 9)	(216,759)	(221,805)
	(105,087)	(110,133)
	153,465	153,026
Interport Loan Fund Balance (Note 10)	96,097	94,012
	249,562	247,038

The accompanying notes are an integral part of these financial statements.

On behalf of the Board:

JAMES B. POWERS
Acting Chairman of the Board

JEAN MICHEL TESSIER
President and Chief Executive Officer

CANADA PORTS CORPORATION—*Continued*

STATEMENT OF INCOME AND DEFICIT
FOR THE YEAR ENDED DECEMBER 31, 1994
(in thousands of dollars)

	1994	1993
Revenue from operations	60,797	54,842
Operating and administrative expenses	26,225	22,181
Depreciation	4,776	5,519
Municipal grants and taxes	2,816	2,692
	33,817	30,392
Income from operations	26,980	24,450
Investment income	3,500	3,200
Interest expense	(17,605)	(17,132)
Net income for the year before the undernoted item	12,875	10,518
Write-down of fixed assets	(7,586)	
Net income for the year	5,289	10,518
Deficit at beginning of the year	(221,805)	(232,210)
Dividend to Canada	(243)	(113)
Deficit at end of the year	(216,759)	(221,805)

The accompanying notes are an integral part of these financial statements.

STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED DECEMBER 31, 1994
(in thousands of dollars)

	1994	1993
Operating Activities		
Net income for the year	5,289	10,518
Items not affecting cash		
Depreciation	4,776	5,519
Write-down of fixed assets	7,586	
Other	658	(375)
Net change in non-cash components of working capital	865	4,653
Cash provided by operating activities	19,174	20,315
Financing Activities		
Capital grants	168	231
Change in due from Canada	(713)	
Transfers from Interport Loan Fund	4,700	6,830
Repayment of transfers from Interport Loan Fund	(1,114)	(19,237)
Issuance of long-term debt	11,000	203,000
Repayment of long-term debt	(21,468)	(198,537)
Dividend paid to Canada	(243)	(113)
Cash required by financing activities	(7,670)	(7,826)
Investing Activities		
Additions to fixed assets	(5,877)	(7,556)
Change in construction payables	197	(2,620)
Cash required by investing activities	(5,680)	(10,176)
Increase in cash and short-term investments	5,824	2,313
Cash and short-term investments at beginning of the year	20,662	18,349
Cash and short-term investments at end of the year	26,486	20,662

The accompanying notes are an integral part of these financial statements.

CANADA PORTS CORPORATION—*Continued*

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1994

1. *CANADA PORTS CORPORATION ACT*

Canada Ports Corporation (the Corporation) was established under the *Canada Ports Corporation Act* (the *Act*), to administer, manage and control Canadian harbours, and any other harbour, work or property of Canada transferred by the Governor in Council. The Corporation is named in Part II of Schedule III of the *Financial Administration Act* and is exempt from income tax.

The Corporation has direct reponsibility for operating eight divisional ports and has a wholly-owned subsidiary Ridley Terminals Inc. (RTI), a coal terminal facility in Prince Rupert. The *Act* provides for the establishment of local port corporations to manage and operate additional selected ports. The *Act* also charges the Corporation with certain responsibilities respecting these ports, particularly concerning capital projects. In addition, the Corporation administers the Interport Loan Fund on behalf of itself and the local port corporations.

Transportation issues in Canada with respect to all modes of transport are under review by Transport Canada. The effect, if any, of this review on the *Act* and the future responsibilities of the Corporation are not known.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Financial statements

The financial statements of the Corporation include the accounts of the divisional ports under its administration and of RTI. The activities of the local port corporations are excluded from the financial statements from the date of their establishment. As the earnings of the Interport Loan Fund do not accrue to the Corporation, the assets, liabilities, revenues and expenses of the Fund are not consolidated (see Note 10).

(b) Investments

The short-term investments are carried at lower of amortized cost, whereby premiums or discounts from par value are amortized over the periods to maturity, and market. Long term investments are carried at amortized cost or market if a permanent decline exists.

(c) Materials and supplies

Materials and supplies consist of supplies, consumables and repair parts. They are valued at the lower of cost or market.

(d) Fixed assets

Fixed assets are recorded at cost, with the exception of those transferred to the Corporation from Canada. The assets transferred from Canada are recorded at appraised or fair market value established at the time of transfer. Government assistance received towards capital projects are deducted from the cost of the related fixed assets.

Depreciation of fixed assets is calculated on the straight-line basis commencing with the year the asset becomes operational, using rates based on the estimated remaining useful lives of the assets.

(e) Pension plans

Employees of the Corporation are covered by the Public Service Superannuation Plan administered by Canada. Under present legislation, contributions made by the Corporation to the Plan are limited to an amount equal to the employee's contributions on account of current service. These contributions represent the total pension obligations of the Corporation and are charged to operations on a current basis. The Corporation is not required under present legislation to make contributions with respect to actuarial deficiencies of the Public Service Superannuation Account and/or with respect to charges to Canada for indexation payments under the *Supplementary Retirement Benefits Act*. However, employees of RTI are covered by a non-contributory defined-benefit plan.

(f) Municipal grants and taxes

The expense for municipal grants and taxes is based on estimated municipal assessments, adjusted in accordance with the *Municipal Grants Act* where applicable. Municipal grants are finalized after the amounts have been audited by the Municipal Grants Division of Public Works and Government Services Canada. Any adjustments upon finalization of the grants are reflected in the accounts in the year of settlement.

(g) Employee benefits

The Corporation accrues in its accounts the estimated liabilities for severance pay, annual leave and overtime compensatory leave, which are payable to its employees under its collective agreements, or in accordance with its policy.

(h) Revenue recognition

Revenue is recognized as the related services are provided. RTI's coal throughput revenue is recorded at 50 percent of the contracted throughput rate at the time the coal is received at the terminal, with the balance being recorded at the time of ship loading. RTI's throughput agreements with its two main customers are in place until March 31, 1998 and March 31, 1999. These agreements provide for guaranteed delivery of an annual minimum tonnage to the terminal. Revenues resulting from any shortfall in tonnage are recognized at the end of the coal year when the amount of shortfall revenue is known.

3. INVESTMENTS

Short-term investments consist of $24,966,000 of Canada treasury bills (1993—$19,296,000 of which $1,998,000 were of other money market securities). As at December 31, 1994 and 1993, the market value of the short-term investments approximates their amortized cost.

Long-term investments of $18,414,000 (1993—$18,348,000) are Canada bonds and as at December 31, 1994, their market value is $20,743,000 (1993—$23,924,000).

CANADA PORTS CORPORATION—*Continued*

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1994—*Continued*

4. FIXED ASSETS

(a) Summary

	1994				1993
	Depreciation rates	Cost or appraised value	Accumulated depreciation and write-downs	Net	Net
	%	(in thousands of dollars)			
Land		6,609		6,609	6,609
Dredging	2.5-6.7	16,121	9,786	6,335	7,944
Berthing structures	2.5-10	50,773	25,270	25,503	27,765
Buildings	2.5-10	34,200	14,390	19,810	19,666
Coal terminal facility	4-33	23,138	3,516	19,622	20,285
Utilities	3.3-10	8,544	2,845	5,699	5,229
Roads and surfaces	2.5-10	5,395	2,976	2,419	1,942
Machinery and equipment	5-100	29,831	21,634	8,197	9,512
Office furniture and equipment	20	4,349	3,536	813	808
Works under construction		2,972		2,972	5,103
		181,932	83,953	97,979	104,863

(b) Capital grants

During the year, the Corporation received capital grants towards the construction of fixed assets totalling $168,000 (1993—$231,000).

(c) Commitments

Contractual obligations for the completion, construction and purchase of fixed assets are estimated at $491,000 of which most will be expended in the year ending December 31, 1995.

The Corporation leases from the Prince Rupert Port Corporation the land on which the coal terminal facility is constructed. The lease is for twenty-five years starting March 31, 1984, with a twenty-year renewal term beginning March 31, 2009. Lease payments are based on throughput charges per tonne which are subject to escalation provisions relating to increases in the Canadian Consumer Price Index for each year.

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Included in accounts payable and accrued liabilities are deferred revenues of $1,070,000 (1993—$2,713,000) and current portion of long-term debt of $73,000 (1993—$68,000).

6. DUE TO INTERPORT LOAN FUND

The Interport Loan Fund has provided long-term financing for two capital projects of ports under the administration of the Corporation.

	1994	1993
	(in thousands of dollars)	
(a) Transfers to the Port of Belledune bearing interest at 7.18 percent to 11.47 percent and accrued interest of $2,438,000, repayable in twenty blended annual instalments of principal and interest of $2,737,000 and maturing December 31, 2013	23,135	23,623
(b) Transfers to the Port of Sept-Îles bearing interest at 7.91 precent to 9.20 percent, repayable primarily in twenty blended annual instalments of principal and interest of $3,429,000 and maturing December 31, 2011	29,511	25,437
	52,646	49,060
Less: current portion	(1,340)	(1,114)
	51,306	47,946

Principal repayment requirements over the next five years amount to $1,340,000 in 1995, $1,462,000 in 1996, $1,595,000 in 1997, $1,740,000 in 1998 and $1,898,000 in 1999.

7. LONG-TERM DEBT

	1994	1993
	(in thousands of dollars)	
(a) Loan from Canada, bearing interest at 6.44 percent, repayable in twenty blended annual instalments of principal and interest of $106,000 and maturing on December 31, 2000.	513	581
(b) RTI note, repayable on August 12, 1998, and bearing interest at 6.93 percent payable annually.	165,000	165,000
(c) RTI note, under a revolving facility, repayable by August 12, 1998, and bearing interest at Canadian inter-bank bankers' acceptance rate plu 0.20 percent payable at maturity of note	20,600	31,000
	186,113	196,581
Less: current portion	(73)	(68)
	186,040	196,513

Principal repayment requirements over the next five years amount to $73,000 in 1995, $77,000 in 1996, $82,000 in 1997, $185,688,000 in 1998 and $93,000 in 1999.

In 1993, RTI refinanced its existing debt with Export Development Corporation (EDC). This new financing consisting of notes replaced the term loan with a major Canadian bank and the transfers from the Interport Loan Fund. Under the financing arrangement with EDC, a fixed rate note issued is repayable in 1998, while notes issued under a revolving facility are at variable rates and repayable by August 12, 1998.

CANADA PORTS CORPORATION—*Continued*

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1994—*Continued*

The revolving facility provides for notes to be issued up to an aggregate maximum of $41 million. These notes may be for a term of one to twelve months and may roll over on maturity date with new face values and new interest rates, with final repayment of all amounts under the facility due on August 12, 1998. As at December 31, 1994, the interest rate on the note under the facility is approximately 6.6 percent.

The financing with EDC is guaranteed unconditionally by Canada to a maximum of $230 million and is secured by a $250 million collateral demand debenture over all present and future assets of RTI.

8. CONTRIBUTED CAPITAL

The Act provides that the net revenues from each port under the administration of the Corporation are to be retained for the use of the respective port. Fund transfers between ports can be authorized by the Minister of Transport.

In 1993, the Minister of Transport instructed the Corporation to transfer an equal amount of funds from each of five divisional ports to Port of Churchill to provide for the latter's 1993 cash shortfall. An amount of $485,000 was transferred in 1993 to Port of Churchill.

9. DEFICIT

At the incorporation of RTI in 1981, 50 percent of RTI was owned by the Corporation while the remaining 50 percent was owned by an unrelated party. The shareholders' agreement of RTI provided a condition for the unrelated party to sell its shares to the Corporation in 1991. On July 30, 1991, the Corporation purchased the remaining 50 percent ownership in RTI and RTI became a wholly-owned subsidiary of the Corporation. The share purchase of $58.5 million was paid in cash and was fully financed by Canada. The excess of purchase price over the assets acquired of $31.7 million less the liabilities assumed of $229.1 million resulted in a loss on acquisition of RTI of $255.9 million which was included in the deficit of the Corporation.

10. INTERPORT LOAN FUND

In 1988, authority was granted by Canada to the Corporation to establish an Interport Loan Fund (the Fund). This Fund is administered by the Corporation and was established to provide financing for financially viable capital projects of the Corporation and local port corporations. Financing is provided by way of transfers to divisional ports managed by the Corporation and by way of loans to local port corporations. Transfers and loans bear interest at the Crown corporation lending rate, the rate in effect from time to time between Canada and Crown corporations. Earnings of the Fund are, pursuant to the terms and conditions under which the Fund was established, restricted to the uses for which the Fund was established.

The balance sheet of the Fund as at December 31 shows:

	1994	1993
	(in thousands of dollars)	
Assets		
Current		
Cash and investments	38,745	39,995
Transfers receivable	1,340	1,114
Loans receivable	162	149
	40,247	41,258
Transfers receivable	51,306	47,946
Loans receivable	6,318	6,479
Allowance for doubtful accounts	(1,774)	(1,671)
	96,097	94,012
Fund Balance		
Contributions from Canada	76,650	76,650
Retained earnings	19,447	17,362
	96,097	94,012

The investments of the Fund, shown at amortized cost, are direct and guaranteed securities of Canada. As at December 31, 1994 and 1993, the market value of the investments approximates their amortized cost.

In 1994, the Fund advanced $4.7 million (1993—$6.7 million of which $3.2 million was to a local port corporation) to a divisional port for a capital project.

The Fund is committed to provide financing of $6.5 million for financially viable capital projects of divisional ports in 1995.

The statement of income and retained earnings of the Fund is as follows:

	1994	1993
	(in thousands of dollars)	
Interest income	7,012	6,701
Allowance for doubtful accounts	(103)	284
Administrative expenses	(103)	(100)
Net income for the year	6,806	6,885
Retained earnings at beginning of the year	17,362	12,065
Dividend to Canada	(4,721)	(1,588)
Retained earnings at end of the year	19,447	17,362

11. PENSION PLANS

The annual contributions to the Public Service Superannuation Plan represent the liability of the Corporation for the contributory plan and are recognized in the accounts on a current basis.

As at December 31, 1994, the updated actuarial reports of RTI's non-contributory plan indicate that the actuarial present value of the accrued pension benefits amounts to $4,993,000 (1993—$4,141,000) and the value of the pension fund assets, at market value, amounts to $5,204,000 (1993—$4,778,000). RTI's pension expense for 1994 of $380,000 (1993—$330,000) is actuarially determined.

CANADA PORTS CORPORATION—*Concluded*

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1994—*Concluded*

12. RELATED PARTY TRANSACTIONS

Through common ownership, the Corporation is related to all Government of Canada created departments, agencies and Crown corporations of Canada.

In accordance with the Act, operating and administrative costs incurred by the Corporation in the amount of $8,245,000 have been recovered from the local port corporations in 1994 (1993—$7,712,000). These recoveries are offset against the related expenses. Operating expenses include rental costs of $2,024,000 (1993—$1,766,000) charged by a local port corporation. At December 31, 1994, $233,000 (1993—$303,000) of rental costs are included in accounts payable and accrued liabilities. Also included in accounts payable and accrued liabilities is $4,486,000 (1993—$4,505,000) of interest payable to EDC, a Crown Corporation (see note 7).

Investment income of $3,467,000 (1993—$3,129,000) was earned on Canada securities and interest charges of $37,000 (1993—$42,000) were paid to Canada. Details of other transactions with the Government of Canada are disclosed in notes 3, 4(b), 7, 9 and 10.

13. CONTINGENCIES

Claims aggregating approximately $2,563,000 in respect of lawsuits, guarantees, employee agreements, damages allegedly suffered on the Corporation's property and sundry other matters in dispute have been received by the Corporation but are not reflected in the accounts. In the opinion of the Corporation, the final outcome of such claims should not result in any material financial liability.

The Corporation assumes all risks with respect to workers' compensation claims. Any costs arising from such claims are recorded in the accounts in the year they can be reasonably estimated.

Employees are permitted to accumulate unused sick leave. However, such leave entitlements do not vest and can be used only in the event of illness. The amount of accumulated sick leave entitlements which will become payable in future years cannot reasonably be determined. Payments of sick leave benefits are included in current operations.

CANADA POST CORPORATION

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL INFORMATION

Management and the Board of Directors are responsible for the consolidated financial statements and all other information presented in this Annual Report in accordance with the *Financial Administration Act* and regulations. The consolidated financial statements have been prepared by management in accordance with generally accepted accounting principles and, where appropriate, include amounts based on management's best estimates and judgements. Financial information presented elsewhere in this Annual Report is consistent with that in the financial statements.

Canada Post Corporation is dedicated to the highest standards of integrity in its business conduct as reflected in its key written policy statements. To safeguard Company assets, Canada Post Corporation has a sound and dynamic set of internal financial controls and procedures that balance benefits and costs. Management has developed and maintains financial and management controls, information systems and management practices to provide reasonable assurance of the reliability of financial information in accordance with the *Financial Administration Act* and regulations, as well as the *Canada Post Corporation Act* and by-laws of the Corporation. Internal audits are conducted to assess management systems and practices, and reports are issued to the Management Executive Committee and the Audit Committee of the Board.

The Board of Directors ensures that management fulfils its responsibilities for financial information and internal control principally through the Audit Committee, which is composed of five directors, none of whom is an employee of the Corporation. The Audit Committee meets regularly to oversee the internal audit activities of the Corporation, and at least annually to review the consolidated financial statements and the external auditors' report thereon and recommend them to the Board of Directors for approval.

Each year, the Governor in Council appoints the Corporation's external auditors. Ernst & Young were reappointed for the current fiscal year. They audit the consolidated financial statements and report to the Audit Committee as well as the Minister responsible for Canada Post Corporation.

Georges C. Clermont
President and Chief Executive Officer

Ian A. Bourne
Senior Vice-President and Chief Financial Officer

AUDITORS' REPORT

TO THE MINISTER RESPONSIBLE
FOR CANADA POST CORPORATION:

We have audited the consolidated balance sheet of Canada Post Corporation as at March 25, 1995, and the consolidated statements of income and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at March 25, 1995, and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles. As required by the *Financial Administration Act*, we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in our opinion, the transactions of the Corporation and of its wholly owned subsidiaries that have come to our notice during our audit of the consolidated financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Canada Post Corporation Act* and the by-laws of the Corporation and its wholly owned subsidiaries.

Ernst & Young
Chartered Accountants

Ottawa, Canada
May 3, 1995

CANADA POST CORPORATION—*Continued*

CONSOLIDATED BALANCE SHEET
(in thousands of dollars)

ASSETS	March 25 1995	March 26 1994	LIABILITIES AND EQUITY OF CANADA	March 25 1995	March 26 1994
Current assets			Current liabilities		
Cash and short-term investments	4,930	30,817	Accounts payable and accrued liabilities	370,749	370,879
Accounts receivable	280,695	278,827	Salaries and benefits	306,139	308,271
Prepaid expenses	69,677	63,635	Deferred revenues	172,552	178,753
	355,302	373,279	Outstanding money orders	39,662	41,369
				889,102	899,272
Segregated cash and investments (Note 5)	215,819	187,294			
Capital assets (Note 6)	1,793,100	1,842,184	Long-term debt (Note 8)	278,994	278,994
Other assets (Note 7)	200,369	210,080	Termination and post-retirement benefits	398,460	367,682
			Equity of Canada (Note 9)	998,034	1,066,889
	2,564,590	2,612,837		2,564,590	2,612,837

The accompanying notes are an integral part of these financial statements.

Approved on behalf of the Board:

GEORGES C. CLERMONT
President and Chief Executive Officer

KAY LeMESSURIER
Chairman of the Audit Committee

CANADA POST CORPORATION—*Continued*

CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS
YEARS ENDED
(in thousands of dollars)

	March 25 1995	March 26 1994
Revenue from operations	4,743,377	4,115,554
Cost of operations	4,774,666	4,086,824
Income (loss) from operations	(31,289)	28,730
Other income (expense)		
Investment and other income	4,595	2,394
Restructuring costs (Note 3)		(282,053)
Amortization of goodwill	(6,874)	(2,300)
Interest (Note 8)	(30,887)	(16,964)
	(33,166)	(298,923)
Loss before income taxes	(64,455)	(270,193)
Provision for income taxes (Note 10)	4,400	197
Net loss	(68,855)	(270,390)
Deficit, beginning of year	(288,283)	(17,893)
Deficit, end of year	(357,138)	(288,283)

The accompanying notes are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOW
YEARS ENDED
(in thousands of dollars)

	March 25 1995	March 26 1994
Cash provided by (used in)		
Operating activities		
Net loss	(68,855)	(270,390)
Items not requiring cash:		
Amortization	181,909	177,539
Restructuring provision		223,000
Loss on disposal of capital assets	268	732
Accrued termination and post-retirement benefits	56,536	54,884
	169,858	185,765
Termination and post-retirement benefit payments	(25,758)	(23,282)
Change in non-cash working capital:		
Increase in accounts receivable	(1,868)	(40,359)
Decrease in accounts payable and accrued liabilities	(130)	(6,398)
Decrease in salaries and benefits	(2,132)	(13,406)
Increase (decrease) in other non-cash working capital	(13,950)	10,620
	126,020	112,940
Financing activities		
Redemption of preferred shares by subsidiary		(125,000)
Redemption of and decrease in subordinate notes		(23,806)
Issuance of senior notes		142,800
		(6,006)
Investing activities		
Acquisition of capital assets	(131,645)	(207,889)
Proceeds on disposal of capital assets	22,397	148,347
Business acquisition		(55,000)
Increase in long-term investments	(14,134)	(7,843)
Increase in segregated cash and investments	(28,525)	(17,149)
	(151,907)	(139,534)
Decrease in cash and short-term investments	(25,887)	(32,600)
Cash and short-term investments at beginning of year	30,817	63,417
Cash and short-term investments at end of year	4,930	30,817

The accompanying notes are an integral part of these financial statements.

CANADA POST CORPORATION—*Continued*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 25, 1995

1. Incorporation

The Corporation was established by the *Canada Post Corporation Act* to operate a postal service on a self-sustaining financial basis while providing a standard of service that will meet the needs of the people of Canada. The Corporation is a Crown corporation included in Part II of Schedule III to the *Financial Administration Act* and is an agent of Her Majesty.

2. Significant accounting policies

These consolidated financial statements have been prepared in accordance with generally accepted accounting principles. A summary of the significant accounting policies of the Corporation follows:

(a) Consolidation

The consolidated financial statements of the Corporation include the accounts of Canada Post Corporation and its wholly owned subsidiaries, Canada Post Systems Management Limited, CINA Holdings B.V. and 2875021 Canada Limited (which has a controlling interest in PCL Courier Holdings Inc.).

Goodwill arising on the acquisition of subsidiaries is amortized on the straight-line basis over 20 years.

(b) Capital assets and amortization

Land, buildings and equipment transferred from the Government of Canada on incorporation were recorded at their fair value at that date, determined as follows:

Land	—market value based on existing use
Buildings	—amortized replacement cost
Plant equipment vehicles, sales counter and office furniture and equipment, and other equipment	—amortized replacement cost or original cost less estimated amortization

The market value of land and the amortized replacement cost of buildings transferred by the Government of Canada were determined by independent appraisals.

Acquisitions subsequent to incorporation are recorded at cost.

The Corporation has an agreement with both the National Archives of Canada and the Canadian Museum of Civilization to operate, administer and maintain a Canadian Postal Archives and a National Postal Museum, respectively, containing philatelic material, postal artifacts, a postal library and exhibits that trace the history of the mail and other memorabilia. These collections, exhibits and books of undetermined value are not for resale and are recorded at a nominal cost.

Amortization is provided on the straight-line basis over the estimated useful lives of the following assets:

Buildings	30 and 40 years
Leasehold improvements	Initial fixed lease term plus period of first renewal option
Plant equipment	3 to 30 years
Vehicles (other than passenger and light-duty commercial)	6 to 10 years
Sales counter and office furniture and equipment	5 to 20 years
Other equipment	5 to 15 years

Amortization is provided on the diminishing balance basis at an annual rate of 30 percent for all passenger and light-duty commercial vehicles.

(c) Deferred development costs

Costs incurred in the development of new mail services and the retail postal network are deferred and amortized on the straight-line basis over the expected period of economic benefit.

(d) Revenue recognition

Amounts received for which services have not been rendered prior to the end of the year are deferred.

(e) Termination and post-retirement benefits

Employees are entitled to specified termination benefits, calculated at salary levels at the time of termination, as provided under collective agreements and conditions of employment. The present value of the projected costs of termination benefits, as determined by actuarial valuation, is recorded in the accounts as a long-term liability. Such benefits accruing to employees, as well as gains and losses arising from actuarial valuation, are included in current operations.

In addition, the Corporation provides certain health care benefits to eligible retirees. Current service costs have been determined by actuarial valuation and included in current operations. Past service costs have also been determined by actuarial valuation and are being amortized over the expected average remaining service life of the employee population.

(f) Pension plan

Employees of the Corporation are covered by the Public Service Superannuation Plan administered by the Government of Canada. Under present legislation, contributions made by the Corporation to the Plan are limited to an amount equal to the employees' contributions on account of current service. These contributions, which amounted to $90,047,000 (1994—$89,964,000), are included in current operations. The Corporation is not required under present legislation to make contributions with respect to actuarial deficiencies of the Public Service Superannuation Account and/or with respect to the Consolidated Revenue Fund for indexation payments under the *Supplementary Retirements Benefits Act*.

CANADA POST CORPORATION—*Continued*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 25, 1995—*Continued*

(g) Income taxes

The Corporation follows the deferral method of income tax allocation.

3. Restructuring costs

In the prior year, the Corporation established a non-recurring restructuring charge relating to a multi-year program of network changes to rationalize and consolidate facilities and organization. The remaining provision as at March 25, 1995 is $80,000,000 (1994—$223,000,000).

4. Business acquisition—Prior year

Effective November 26, 1993, the Corporation's wholly owned subsidiary, 2875021 Canada Limited, acquired a controlling interest in PCL Courier Holdings Inc., which owns all of the shares of Purolator Courier Limited. The results of operations for PCL Courier Holdings Inc. have been included in the Corporation's consolidated financial statements from the date of acquisition.

5. Segregated cash and investments

The Corporation has segregated certain cash and investments, recorded at cost, for the purpose only of managing cash flows relating to the employee termination benefits liability.

6. Capital assets

	1995			1994
	Cost	Accumulated amortization	Net	Net
	(in thousands of dollars)			
Land	290,294		290,294	289,388
Buildings	1,160,836	547,899	612,937	650,318
Leasehold improvements	113,946	42,296	71,650	64,949
Plant equipment	779,691	376,222	403,469	429,340
Vehicles	100,766	92,513	8,253	15,714
Sales counter and office furniture and equipment	292,537	157,520	135,017	132,145
Other equipment	408,580	137,101	271,479	260,329
Collection of postal memorabilia	1		1	1
	3,146,651	1,353,551	1,793,100	1,842,184

7. Other assets

	1995	1994
	(in thousands of dollars)	
Goodwill, net of accumulated amortization	130,796	135,170
Investment in G.D. Net B.V., at cost	32,638	35,568
Deferred development costs	17,090	34,061
Other	19,845	5,281
	200,369	210,080

8. Long-term debt

	1995	1994
	(in thousands of dollars)	
10 year loan from the Government of Canada due April 1998, interest at 9.705%	80,000	80,000
Non-redeemable bonds maturing March 2016, interest at 10.35%	55,000	55,000
US $105,000 10 year Senior Notes issued by Purolator Courier Limited due March 2004, interest at 8.83%, principal payments due in equal instalments over the last five years of the term. In connection with this unguaranteed debt, Purolator Courier Limited has given its lenders a security interest in substantially all of its assets. Under the indenture, Purolator Courier Limited is subject to certain financial and other covenants throughout the debt term	142,800	142,800
Purolator Courier Limited entered into currency swaps covering all principal and interest payments and, as a result, the principal balance has been effectively converted to CAN $142,800 at 10.1%		
Subordinate notes issued by PCL Courier Holdings Inc. due October 1998, interest at 12.5%	1,194	1,194
	278,994	278,994

Interest expense on long-term debt was $28,029,000 (1994—$15,284,000).

9. Equity of Canada

	1995	1994
	(in thousands of dollars)	
Contributed capital	1,355,172	1,355,172
Deficit	(357,138)	(288,283)
Equity of Canada	998,034	1,066,889

The *Canada Post Corporation Act* provides for the establishment of a share capital structure. The Corporation is authorized to issue shares to the Government of Canada based on the net asset value of the Corporation on the date of the first issue of shares, as determined by the Board of Directors, with the approval of the Treasury Board.

CANADA POST CORPORATION—*Concluded*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 25, 1995—*Concluded*

10. Income taxes

On March 27, 1994, Canada Post Corporation became a prescribed Crown Corporation for tax purposes and as such is subject to federal income taxation under Part 1 of the *Income Tax Act*.

The tax basis of Canada Post Corporation's assets was established at an amount that exceeded the recorded carrying value. The future benefit related to this excess has not been recorded in the consolidated financial statements but will be realized as additional tax deductions over a period of years.

The income tax provision includes the Large Corporations Tax which may be reduced by the amount of federal surtaxes payable over the next three years.

Consolidated tax loss carry-fowards in the amount of $320,000,000 are available to reduce future income taxes and will expire by the year 2002. The benefit of these tax loss carry-forwards and net unclaimed tax deductions have not been recognized in the Corporation's consolidated financial statements.

11. Contingent liabilities

(a) Two complaints have been filed with the Canadian Human Rights Commission alleging discrimination by the Corporation concerning work of equal value. The Commission is still presenting its evidence before the Tribunal with respect to one complaint and has not begun its investigation of the second. The outcome of these complaints is not currently determinable. Settlement, if any, arising from resolution of these matters, will be recovered in future postal rates (as determined in accordance with the *Canada Post Corporation Act*) and/or from the Government of Canada.

(b) Employees are permitted to accumulate unused sick leave. However, such leave entitlements do not vest and can be used only in the event of illness. The amount of accumulated sick leave entitlements which will become payable in future years cannot reasonably be determined. Payments of sick leave benefits are included in current operations.

12. Commitments

The Corporation's future minimum payments with respect to computing and communications utility services as well as facilities and other operating leases with terms in excess of one year, are as follows:

	(in thousands of dollars)
1996	194,087
1997	171,090
1998	159,328
1999	149,713
2000	130,874
2001 and thereafter	382,129
	1,187,221

13. Related-party transactions

The Corporation had the following transactions with related parties in addition to those disclosed elsewhere in these consolidated financial statements.

(a) Payments on behalf of postal users

Where Government policy requires the Corporation to provide services at rates less than costs to the publications industry, and for Government free mail, literature for the blind and Northern air stage services, the Government of Canada compensates the Corporation for foregone postage revenue from those sources. Revenues amounting to $96,818,000 (1994—$114,900,000) are included in revenue from operations.

(b) Property management

The Corporation has incurred net operating costs of $98,646,000 (1994—$186,248,000) in respect of a real property management arrangement with Public Works and Government Services Canada. In addition, capital expenditures amounted to $5,983,000 (1994—$7,373,000).

(c) Other

The Corporation has other transactions with the Government of Canada, its agencies and other Crown corporations in the normal course of business.

As a result of all the above transactions, the amounts due from and to these parties are $18,194,000 (1994—$34,415,000) and $93,288,000 (1994—$80,750,000) respectively.

14. Comparative figures

Comparative figures have been reclassified to conform with the current year's presentation.

CANADIAN BROADCASTING CORPORATION

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The financial statements and all other information presented in this annual report are the responsibility of management and have been reviewed and approved by the Board of Directors of the Corporation. These financial statements, which include amounts based on management's best estimates as determined through experience and judgement, have been properly prepared within reasonable limits of materiality and are in accordance with generally accepted accounting principles.

Management of the Corporation maintains books of account, records, financial and management control, and information systems, which are designed for the provision of reliable and accurate financial information on a timely basis. These controls provide reasonable assurance that assets are safeguarded, that resources are managed economically and efficiently in the attainment of corporate objectives, that operations are carried out effectively and that transactions are in accordance with the *Broadcasting Act* and the by-laws of the Corporation.

The Corporation's Internal Auditor has the responsibility for assessing the Corporation's systems, procedures and practices. The Auditor General of Canada conducts an independent audit of the annual financial statements and reports on his audit to the Canadian Broadcasting Corporation and the Minister of Canadian Heritage.

The Board of Directors' Audit Committee, which consists of seven members, none of whom is an officer of the Corporation, reviews and advises the Board on the financial statements and the Auditor General's report thereto. The Audit Committee oversees the activities of Internal Audit and meets with management, the Internal Auditor and the Auditor General on a regular basis to discuss the financial reporting process as well as auditing, accounting and reporting issues.

Perrin Beatty
President

Steven Cotsman
Vice-President, Finance
and Administration

AUDITOR'S REPORT

TO THE BOARD OF DIRECTORS OF THE
CANADIAN BROADCASTING CORPORATION
AND THE MINISTER DESIGNATE OF CANADIAN HERITAGE

I have audited the balance sheet of the Canadian Broadcasting Corporation as at March 31, 1995 and the statements of income and expense and reconciliation to government funding basis, proprietor's equity account and cash flow for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 1995 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles. As required by the *Broadcasting Act*, I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Corporation that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with Part III of the *Broadcasting Act* and the by-laws of the Corporation.

L. Denis Desautels, FCA
Auditor General of Canada

Ottawa, Canada
June 2, 1995

CANADIAN BROADCASTING CORPORATION—*Continued*

BALANCE SHEET AS AT MARCH 31, 1995
(in thousands of dollars)

ASSETS	1995	1994
Current		
Cash and short-term investments	58,608	37,395
Accounts receivable	103,392	87,375
Programs completed and in process of production, or available for sale	76,965	101,559
Prepaid film and script rights and other expenses	57,580	77,541
	296,545	303,870
Investments	915	1,900
Capital assets (Note 7)	1,279,489	1,274,554
Deferred charges and goodwill (Note 8)	36,011	1,717
	1,612,960	1,582,041

LIABILITIES	1995	1994
Current		
Accounts payable and accrued liabilities	176,396	152,309
Accrued vacation pay	54,272	57,900
Employee termination benefits	36,074	5,379
Accrued interest on capital lease	15,577	17,345
	282,319	232,933
Long-term		
Employee termination benefits	104,093	113,589
Deferred pension liability (Note 9)	69,932	27,712
Advances from Government of Canada (Note 10)		33,000
Obligations under capital leases (Note 11)	418,017	417,985
	592,042	592,286
PROPRIETOR'S EQUITY		
Proprietor's equity account	738,599	756,822
	1,612,960	1,582,041

The accompanying notes and Schedule A form an integral part of the financial statements.

STEVEN COTSMAN
Vice-President, Finance and Administration

Approved on behalf of the Board of Directors:

GUYLAINE SAUCIER
Director

ALAIN PARIS
Director

CANADIAN BROADCASTING CORPORATION—*Continued*

STATEMENT OF INCOME AND EXPENSE
AND RECONCILIATION TO GOVERNMENT
FUNDING BASIS
FOR THE YEAR ENDED MARCH 31, 1995
(in thousands of dollars)

	1995	1994
Income		
Parliamentary operating appropriation (Note 3)	951,358	954,662
Net advertising	307,871	299,282
Miscellaneous	103,361	75,128
	1,362,590	1,329,072
Expense		
Television services (see Schedule A)	1,006,987	985,336
Radio services (see Schedule A)	323,853	324,789
Corporate management and engineering services	65,187	63,724
Selling, merchandising and business ventures	57,263	48,699
Specialty services (Note 4)	63,087	46,854
Downsizing and expense reduction programs (Note 5)	37,274	9,338
Total expense before taxes	1,553,651	1,478,740
Income and large corporation taxes (Note 6)	2,656	2,708
Total expense after taxes	1,556,307	1,481,448
Excess of expense over income	193,717	152,376
Reconciliation to government funding basis		
Deduct: net items not requiring current operating funds (Note 3)	172,086	155,194
(Deficit) surplus for the year	(21,631)	2,818
Surplus, beginning of year	21,987	19,169
Surplus, end of year	356	21,987

The accompanying notes and Schedule A form an integral part of the financial statements.

SCHEDULE OF TELEVISION AND RADIO SERVICES
EXPENSE
FOR THE YEAR ENDED MARCH 31, 1995
(in thousands of dollars) SCHEDULE A

	1995	1994
Television Services		
Program Activities		
English		
Network	422,495	399,761
Regional contributions to network	64,240	64,714
Regional	93,932	87,958
French		
Network	253,178	255,768
Regional contributions to network	21,902	24,630
Regional	43,151	39,275
	898,898	872,106
Distribution Activities		
Network/station distribution	90,910	95,378
Payments to private stations	17,179	17,852
	108,089	113,230
	1,006,987	985,336
Radio Services		
Program Activities		
English		
Network	73,327	73,602
Regional contributions to network	24,893	25,045
Regional	77,045	77,808
French		
Network	49,514	49,998
Regional contributions to network	10,337	10,198
Regional	45,013	44,311
	280,129	280,962
Distribution Activities	43,724	43,827
	323,853	324,789

The accompanying notes form an integral part of the financial statements.

CANADIAN BROADCASTING CORPORATION—*Continued*

STATEMENT OF PROPRIETOR'S EQUITY ACCOUNT FOR THE YEAR ENDED MARCH 31, 1995
(in thousands of dollars)

	1995	1994
Balance, beginning of year	756,822	774,321
Add (deduct):		
Parliamentary appropriations (Note 3)		
Capital	138,494	130,877
Working capital	4,000	4,000
Transfer of advances to equity	33,000	
(Deficit) surplus for the year	(21,631)	2,818
Net items not requiring current operating funds (Note 3)	(172,086)	(155,194)
Balance, end of year	738,599	756,822

The accompanying notes and Schedule A form an integral part of the financial statements.

STATEMENT OF CASH FLOW FOR THE YEAR ENDED MARCH 31, 1995
(in thousands of dollars)

	1995	1994
Operating Activities		
Excess of expense over income	(193,717)	(152,376)
Capital related items	1,924	(1,673)
Items not involving cash		
Amortization of capital assets	123,600	127,727
Write down of investment	1,805	
Amortization of deferred charge and goodwill	1,527	710
Employee termination benefits	(9,496)	1,468
Deferred pension contribution	42,220	37,815
Net change in non-cash working capital balances (Note 12)	77,888	(49,512)
	45,751	(35,841)
Financing Activities		
Parliamentary appropriations (Note 3)		
Capital	138,494	130,877
Working capital	4,000	4,000
Proceeds on disposal of capital assets and investment/financing from other organizations	5,392	3,349
Capital lease obligations assumed	2,403	4,211
	150,289	142,437
Investing Activities		
Acquisition of capital assets	(135,036)	(132,509)
Capital portion of lease payments	(46)	(811)
Building and equipment acquired under capital leases	(2,403)	(4,211)
Acquisition of broadcast undertaking	(10,500)	
Deferred charges	(26,022)	
Investment	(820)	
	(174,827)	(137,531)
(Increase) decrease in cash and short-term investments	21,213	(30,935)
Cash and short-term investments, beginning of year	37,395	68,330
Cash and short-term investments, end of year	58,608	37,395

The accompanying notes and Schedule A form an integral part of the financial statements.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 1995

1. AUTHORITY AND OBJECTIVE

The Canadian Broadcasting Corporation was first established by the 1936 *Canadian Broadcasting Act* and continued by the 1958, 1968 and 1991 *Broadcasting Acts*. The Corporation is an agent of Her Majesty and all property acquired by the Corporation is the property of Her Majesty.

As the national public broadcaster, the Canadian Broadcasting Corporation provides radio and television services in both official languages incorporating predominantly and distinctively Canadian programs to reflect Canada and its regions to national and regional audiences.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Presentation

The financial statements include the accounts of the Corporation and its proportionate share of the assets, liabilities, revenus and expenses relating to joint venture activities.

(b) Parliamentary Appropriations

The Corporation is mainly financed by the Parliament of Canada. Parliamentary appropriations are provided for operating expenditures in accordance with Government of Canada policy for funding current operations and are recorded as income. Parliamentary appropriations for capital and working capital are credited to Proprietor's Equity Account.

(c) Programs Completed and in Process of Production, or Available for Sale

Programs completed and in process of production, or available for sale are stated at cost. Cost includes the cost of goods and services, and the share of labour and overhead expenses applicable to programs.

Program costs are charged to operations as the programs are broadcast or deemed unusable, or are sold.

(d) Film Rights

The Corporation enters into contracts for film broadcasting rights. As payments are made under the terms of each contract they are reflected in the accounts as prepaid film rights. The film rights are charged to operations as the films are broadcast or deemed unusable.

(e) Investments

Investments are valued at cost less a write-down for any loss that is other than a temporary decline.

CANADIAN BROADCASTING CORPORATION—*Continued*

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 1995—*Continued*

(f) Capital Assets

Capital assets are recorded at cost. The cost of assets constructed by the Corporation includes material, engineering services, direct labour and related overhead. Assets recorded as capital leases are initially recorded at the present value of the minimum lease payments at the inception of the lease. Amortization is calculated on the straight-line method using rates based on the estimated useful life of the assets as follows:

Buildings	33 years
Technical equipment	
Transmitters and towers	20 years
Other	10 years
Furnishings and office equipment	10 years
Computers	5 years
Automotive	5 years

Leasehold improvements are capitalized and amortized over the term of the respective leases to a maximum period of five years. Amounts included in uncompleted capital projects are transferred to the appropriate capital asset classification upon completion, and are then amortized according to the Corporation's policy.

(g) Deferred Charges and Goodwill

Deferred costs incurred in the development of specialty channels and goodwill arising from the acquisition of broadcast undertakings are amortized over seven years based on a normal license period. Deferred costs incurred by joint ventures are amortized over a period of five years. Other costs are amortized over the period of the respective agreements.

(h) Pension Cost and Obligation

The Corporation provides pensions based on length of service and final average earnings as classified under a number of defined benefit retirement pension arrangements. The administrative costs associated to the management of the pension arrangements are absorbed by the Corporation.

The cost of pension benefits earned by employees is determined using the projected benefit method of actuarial valuation with projected salary increases where appropriate, pro-rated on services and charged to operations as services are rendered. This cost reflects management's best estimate of the pension fund's expected investment yields, and of salary escalations, mortality of members, terminations and ages at which members will retire. The surplus on the introduction of this accounting policy, adjustments arising from plan amendments, experience gains and losses and changes in assumptions are amortized over the estimated average remaining service life of the employee group.

The difference between the accumulated amounts expensed and the funding contributions is reflected in the balance sheet as a long-term deferred charge or deferred pension liability as the case may be.

(i) Employee Termination Benefits and Vacation Pay

Employee termination benefits and vacation pay are expensed as benefits accrue to employees under their respective terms of employment.

Termination benefits are calculated on an actuarial basis taking into account the future expected payments, the probabilities of payment and discount to the valuation date. The present value of the projected cost is recorded as a liability.

Vacation pay is valued at cost calculated at salary levels in effect at the end of the year for all unused vacation pay benefits accruing to employees.

3. PARLIAMENTARY APPROPRIATIONS

Parliamentary appropriations approved and the payments received by the Corporation during the year are as follows:

	1995	1994
	(in thousands of dollars)	
Appropriations		
Operating	951,358	954,662
Capital	138,494	130,877
Working capital	4,000	4,000
	1,093,852	1,089,539
Transfer of advances to equity	33,000	

The following summarizes the reconciling items between the statement of income and expense and the government funding basis.

	1995	1994
	(in thousands of dollars)	
Items included in the statement of income and expense not requiring or generating current operating funds		
Income items related to capital assets		(1,673)
Expense related to operating activities:		
Amortization of capital assets	123,600	127,727
Goodwill and other	1,368	
Loss on capital related items	1,924	
Interest expense on capital lease	15,577	17,345
Write down of investment	1,805	
Employee termination benefits and vacation pay	9,927	4,315
Deferred pension contribution	42,220	38,026
Program inventory costs	16,061	(2,681)
	212,482	184,732
Deduct:		
Net items not included in the statement of income and expense which require current operating funds	40,396	27,865
Net items not requiring current operating funds	172,086	155,194

CANADIAN BROADCASTING CORPORATION—*Continued*

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 1995—*Continued*

4. SPECIALTY SERVICES

The Corporation operates three specialty services: CBC Newsworld, Radio Canada International (RCI) and, effective January 1, 1995, Réseau de l'Information (RDI).

The net expense of these specialty services is as follows:

	1995	1994
	(in thousands of dollars)	
Cost of specialty services	79,931	62,944
Less government assistance	16,844	16,090
Net expense	63,087	46,854

The Corporation operates CBC Newsworld and RDI under license conditions that the operations be reported on an incremental cost/revenue basis. In compliance with the license conditions, the Corporation will report the following results for 1995, and has reported the results for 1994, to the Canadian Radio-television and Telecommunications Commission.

	1995	1994
	(in thousands of dollars)	
CBC Newsworld		
Incremental costs	53,117	45,995
Incremental revenues	52,676	47,311
RDI		
Incremental costs	5,903	
Incremental revenues	6,323	

As at March 31, 1995, the cumulative excess incremental revenues over expenses retained for CBC Newsworld's future activities totalled $1.2 million (1994—$1.7 million) and for RDI $0.4 million (1994—nil). These activities are an integral part of the operations of the Corporation. The incremental costs are included in the above specialty services expense and the incremental revenues are reported as income.

RCI

RCI is operated under agreement with the Minister of Foreign Affairs, whereby the cost of the service is recovered from their funding.

5. DOWNSIZING AND EXPENSE REDUCTION PROGRAMS

During the fiscal year 1994-95 the Corporation, subsequent to a review process, implemented multi-year expense reduction programs to address the budget reductions announced by the previous Conservative governement, unfunded inflationary increases, and unavoidable new operating costs. In February 1995, the Corporation accelerated these programs and initiated the planning process required to address further significant reductions to Parliamentary appropriations as announced in the February 1995 Federal budget.

Over the next three years, it is anticipated that the Corporation's operations will be considerably reduced and will result in the departure of a significant number of employees in the form of lay-offs and voluntary seperations. The total costs associated with this multy-year downsizing exercise cannot be estimated but will be reported in future years as the current reviews of the Corporation are completed. Management's best estimate of the expense for 1994-95 related to the workforce reduction is as follows:

	1995	1994
	(in thousands of dollars)	
Employee termination and special benefits [1]	37,274	9,338
Reconciliation to government funding basis		
Add: unfunded expenses recorded in previous fiscal years [2]	23,051	6,127
Expenses on a government funding basis[3]	60,325	15,465

[1] Severance payments and employment security benefits governed by labour agreements and special programs amounting to $33.3 million as well as enhanced pension benefits $4.0 million.

[2] Employee termination benefits and vacation pay expensed in previous years as benefits accrued to employees under their respective terms of employment.

[3] The cash outlay associated with the identified elements of the downsizing and the expense reduction programs which require government operating funds are estimated at $60.3 million.

6. INCOME AND LARGE CORPORATIONS TAXES

The Corporation is a prescribed federal Crown corporation under part LXXI of the Income Tax Regulations and is subject to the provisions of the *Income Tax Act* (Canada). The Corporation is not subject to provincial income taxes on its own activities.

During the year, the Corporation incurred large corporations tax of $2.6 million (1994—$2.7 million).

The Corporation has net timing differences resulting from revenue and expense items reported for tax purposes in different periods than for accounting purposes of $179.6 million (1994—$123.9 million). These timing differences generally result from the accrual of pension and severance pay costs, and capital cost allowance on its long term capital lease where funding for the lease obligation is provided over several years. Capital cost allowance is not claimed on other capital assets as the related capital funding is usually received in full in the same year in which the asset is acquired. The benefit of these timing differences has not been recognized in the financial statements.

CANADIAN BROADCASTING CORPORATION—*Continued*

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 1995—*Continued*

7. CAPITAL ASSETS

	1995			1994
	Cost	Accumulated amortization	Net book value	Net book value
	(in thousands of dollars)			
Land	36,131		36,131	36,362
Buildings	333,315	168,395	164,920	157,234
Technical equipment	1,022,908	541,845	481,063	463,417
Furnishings, office equipment and computers	68,929	33,141	35,788	24,746
Automotive	26,800	14,581	12,219	10,351
Leasehold improvements	5,118	4,267	851	832
Property under capital leases	513,142	30,801	482,341	495,025
Uncompleted capital projects	66,176		66,176	86,587
	2,072,519	793,030	1,279,489	1,274,554

8. DEFERRED CHARGES AND GOODWILL

	1995			1994
	Cost	Accumulated amortization	Net book value	Net book value
	(in thousands of dollars)			
Deferred charges				
CBC Newsworld	6,490	5,483	1,007	1,717
Réseau de l'information	4,849		4,849	
Joint venture activities	2,839	175	2,664	
Other agreements	18,509		18,509	
Goodwill	9,799	817	8,982	
	42,486	6,475	36,011	1,717

9. DEFERRED PENSION LIABILITY

Projections from an actuarial valuation prepared for accounting purposes show an estimated present value of accrued pension benefits of $2,357.5 million as at March 31, 1995 (1994—$2,282.2 million) which includes $11.0 million (1994—$9.5 million) of unfunded retirement benefits. The market value of the pension fund assets as at March 31, 1995 was $2,421.7 million (1994—$2,292.2 million).

The accrued pension benefits as at March 31, 1995 include an estimate of the financial impact of benefit improvements recently approved by the Board of Directors, which impacts the workforce adjustment program that affects employees in 1995. The impact of further workforce adjustment in future years has not been taken into account this year.

The deferred pension liability as at March 31, 1995 amounting to $69.9 million (1994—$27.7 million) is the difference between the accumulated pension expense and the funding contributions.

During the year, the Corporation continued to temporarily suspend its contributions to the CBC pension fund as approved by the Board of Directors and initiated in January 1993. Contributions recommenced in February 1995.

10. ADVANCES FROM GOVERNMENT OF CANADA

In 1994-95, Government of Canada advances of $33.0 million for working capital purposes which accumulated to the year ended March 31, 1981 were converted to proprietor's equity.

11. OBLIGATION UNDER CAPITAL LEASES

(a) Canadian Broadcasting Centre, Toronto

In September 1988 and with Governor in Council approval, the Corporation signed a project agreement with Cadillac Fairview Corporation Limited for the construction of the Canadian Broadcasting Centre, on the Corporation's site in downtown Toronto.

In August 1991, the Corporation executed a lease on the building for a term extending to August 30, 2038.

In July 1992, the Corporation took occupancy of the building and recorded the capital lease. In the event of termination of the lease, at the Corporation's option or otherwise, the Corporation is committed to pay sufficient rent to repay all interim and permanent financing on the building. However, management intends to completely discharge its obligation under the lease and obtain free title to the Canadian Broadcasting Centre in 30 years from the date where long-term financing is obtained.

Future minimum lease payments and the obligation under the capital lease are as follows:

	(in thousands of dollars)
1996	33,872
1997	35,601
1998	37,541
1999	40,316
2000	43,699
Thereafter (*)	1,181,170
Total minimum future payments (*)	1,372,199
Deduct: imputed interest	(954,349)
Present value of minimum capital lease obligation	417,850
Accumulated interest obligation	15,577
Obligation under capital lease	433,427

(*) Consistent with its intention, management has estimated the total amounts payable under the capital lease based on interest rates considered probable for such financing amortized over a 30 year period.

CANADIAN BROADCASTING CORPORATION—*Concluded*

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 1995—*Concluded*

(b) Other

As at March 31, the Corporation's obligation related to a capital lease, other than the Canadian Broadcasting Centre, is as follows:

	(in thousands of dollars)
1996	60
1997	60
1998	60
1999	60
2000	45
Total future payments	285
Deduct: imputed interest	(82)
Present value of capital lease obligation	203
Deduct: current portion	(36)
Long-term obligation under capital lease	167

12. NET CHANGE IN NON-CASH WORKING CAPITAL BALANCES

	1995	1994
	(in thousands of dollars)	
Cash provided by (used for):		
Accounts receivable	(16,017)	(1,198)
Programs completed and in process of production	24,594	(4,933)
Prepaid film and script rights and other expenses	19,961	(27,499)
Accounts payable and accrued liabilities	24,087	(13,784)
Short-term portion of capital leases	(36)	196
Accrued vacation pay	(3,628)	(3,280)
Employee termination benefits	30,695	5,379
Accrued interest obligation	(1,768)	(4,393)
	77,888	(49,512)

13. COMMITMENTS

(a) Program Related

As at March 31, 1995, commitments for sports rights amounted to $246.8 million; procured programs, film rights and co-productions amounted to $85.6 million for total commitments of $332.4 million.

(b) Operating Leases

Future annual payments related to operating leases are as follows:

	1995
	(in thousands of dollars)
1996	38,498
1997	34,265
1998	32,936
1999	30,158
2000	25,420
2001-2062	11,851
Total future payments	173,128

(c) Joint Venture Activities

The Corporation's proportionate share of commitments related to joint venture activities totalled $7.3 million.

14. CONTINGENCIES

In the ordinary course of business, various claims and lawsuits have been brought against the Corporation. In the opinion of management, the majority of the claims are not significant, for other claims the amount of losses, if any, cannot be estimated. In the event that such expenditures were incurred, they would be recognized as period costs.

15. RELATED PARTY TRANSACTIONS

The Corporation is related in terms of common ownership and enters into transactions with other Government departments, agencies and Crown corporations in the normal course of business on normal trade terms applicable to all individuals and enterprises. Transactions with the Government of Canada are outlined in Notes 3, 4 and 10.

16. COMPARATIVE FIGURES

Certain of the 1994 comparative figures have been reclassified to conform to the current year's presentation.

CANADIAN COMMERCIAL CORPORATION

MANAGEMENT RESPONSIBILITY FOR FINANCIAL STATEMENTS

The financial statements of the Canadian Commercial Corporation and all information in this annual report are the responsibility of management and have been approved by the Board of Directors. The statements have been prepared in accordance with generally accepted accounting principles, using management's best estimates and judgements, where appropriate. Financial information presented elsewhere in the annual report is consistent with the statements.

In discharging its responsibility for financial reporting, management maintains and relies on financial and management control systems and practices which are designed to provide reasonable assurance that transactions are authorized, assets are safeguarded, and proper records are maintained. These controls and practices are intended to ensure the orderly conduct of business, the accuracy of accounting records, the timely preparation of reliable financial information and adherence to Corporate policies and statutory requirements.

The Audit Committee, which is made up of the Corporation's President and all the members of the Board of Directors, oversees management's responsibilities for maintaining adequate control systems and the quality of financial reporting. The Corporation's external auditors and those conducting its internal audits have full and free access to the Audit Committee to discuss the results of their work and to express their concerns and opinions.

The independent auditor, the Auditor General of Canada, is responsible for auditing the transactions and financial statements of the Corporation, and for issuing his report thereon.

Ranald A. Quail
President

F.O. Kelly
Director
Corporate Services Division

AUDITOR'S REPORT

TO THE MINISTER DESIGNATE OF PUBLIC WORKS AND GOVERNMENT SERVICES

I have audited the balance sheet of the Canadian Commercial Corporation as at March 31, 1995 and the statements of operations and retained earnings, and changes in financial position for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 1995 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles. As required by the *Financial Administration Act*, I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Corporation that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Canadian Commercial Corporation Act* and by-laws of the Corporation.

Raymond Dubois, FCA
Deputy Auditor General
for the Auditor General of Canada

Ottawa, Canada
May 26, 1995

CANADIAN COMMERCIAL CORPORATION—*Continued*

BALANCE SHEET AS AT MARCH 31, 1995
(in thousands of dollars)

ASSETS	1995	1994	LIABILITIES	1995	1994
Cash and short-term deposits (Note 5)	81,411	94,167	Accounts payable and liabilities	168,920	106,084
Accounts receivable (Note 6)	154,124	99,308	Advances from customers	140,974	153,978
Advances to suppliers	93,947	86,664	Progress payments from customers	54,926	110,110
Progress payments to suppliers	54,816	110,492	Provision for additional contract costs (Note 3)	256	2,512
				365,076	372,684
			Employee termination benefits	946	941
				366,022	373,625
			Contingencies (Note 4)		
			EQUITY OF CANADA		
			Contributed surplus	10,000	10,000
			Retained earnings	8,276	7,006
				18,276	17,006
	384,298	390,631		384,298	390,631

The accompanying notes are an integral part of the financial statements.

Approved by the Board:

RANALD A. QUAIL
President

CHARLES E. STEDMAN
Director

CANADIAN COMMERCIAL CORPORATION—*Continued*

STATEMENT OF OPERATIONS
AND RETAINED EARNINGS
FOR THE YEAR ENDED MARCH 31, 1995
(in thousands of dollars)

	1995	1994
Revenues		
Contract billings (Note 7)	877,122	880,565
Interest and other income	2,085	1,550
	879,207	882,115
Expenses		
Cost of contract billings (Note 7)	877,122	880,565
Additional contract costs (recovery)	(245)	(391)
Administrative expense	14,228	14,509
	891,105	894,683
Net cost of operations	11,898	12,568
Parliamentary appropriation	13,168	13,763
	1,270	1,195
Retained earnings at beginning of year	7,006	5,811
Retained earnings at end of year	8,276	7,006

The accompanying notes are an integral part of the financial statements.

STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED MARCH 31, 1995
(in thousands of dollars)

	1995	1994
Financing activities:		
Parliamentary appropriation	13,168	13,763
Operating activities:		
Operations		
Net cost of operations	(11,898)	(12,568)
Net changes in non-cash balance sheet items: operating balances from foreign customers and to Canadian suppliers	5,769	(5,742)
Advances and progress payments from foreign customers and to Canadian suppliers	(19,795)	(28,988)
Cash used in operating activities	(25,924)	(47,298)
Decrease in cash and short-term deposits	(12,756)	(33,535)
Cash and short-term deposits at beginning of year	94,167	127,702
Cash and short-term deposits at end of year	81,411	94,167

The accompanying notes are an integral part of the financial statements.

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1995

1. Nature, Organization and Funding

The Corporation was established in 1946 by the *Canadian Commercial Corporation Act* and is an agent Crown corporation listed in Part I of Schedule III to the *Financial Administration Act*.

The Corporation acts as the prime contracting agency when other countries and international organizations wish to purchase products and services from Canada on a government-to-government basis. Contracts are made with foreign governments and international organizations and corresponding supply contracts are entered into with Canadian firms by the Corporation (see Note 3).

The Corporation has authority to draw loans from the Consolidated Revenue Fund in amounts up to a total of $10 million as required to supplement its working capital. Annually, the Corporation seeks funding for its operations through parliamentary appropriation.

The Corporation is not subject to the provisions of the *Income Tax Act*.

CANADIAN COMMERCIAL CORPORATION—*Continued*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1995—*Continued*

2. Significant Accounting Policies

These financial statements are prepared in accordance with generally accepted accounting principles. A summary of significant policies follows:

(a) Contracts

The Corporation uses a percentage-of-completion method when accounting for contracts involving progress payments. The cost of contract billings and related revenues are recognized on receipt of progress billings from suppliers. Since title has not yet passed to customers, the Corporation recognizes the progress payments made to suppliers as an asset and the progress payments received from customers as a liability. The related progress payments are reduced when deliveries are accepted by the customer.

Additional contract costs incurred primarily as a result of suppliers failing to fulfil their obligations to the Corporation are determined on a contract-by-contract basis. These costs are recorded in the statement of operations in the year in which the non-performance is identified and the additional costs to be incurred by the Corporation are reasonably determinable.

(b) Foreign Currency Translation

Assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the year-end exchange rates. Revenues and expenses are translated at the average exchange rates for the month in which the transactions occur. Exchange gains and losses arising from translation of foreign currencies are included in other income.

Contracts with foreign governments and corresponding contracts with Canadian suppliers are generally entered into in the same currency. Alternatively, the contract terms in the supplier contract pass the foreign currency risk to the supplier.

The Corporation maintains some working capital in other currencies to facilitate the cash flow between foreign customers and Canadian suppliers.

(c) Pension Plan

Employees of the Corporation are covered by the Public Service Superannuation Plan administered by the Government of Canada. Under present legislation, contributions made by the Corporation to the Plan are limited to an amount equal to the employee's contributions on account of current service. These contributions represent the total pension obligations of the Corporation and are charged to operations on a current basis. The Corporation is not required under present legislation to make contributions with respect to actuarial deficiencies of the Public Service Superannuation Account.

(d) Employee Termination Benefits

Employees of the Corporation are entitled to specified termination benefits, calculated at salary levels in effect at the time of termination, as provided for under collective agreements and conditions of employment. The liability for these benefits is recorded in the accounts as the benefits accrue to employees.

The liability for employee termination benefits is estimated by management based on current entitlements.

3. Contractual Obligations

The Corporation is obligated to fulfil numerous contracts with foreign customers. These contracts range in value to over one billion dollars. The total contract value remaining to be fulfilled approximates $1.7 billion as at March 31, 1995 (1994—$2.1 billion).

The Corporation may incur additional contract costs should suppliers not fulfil the terms of their contracts. The Corporation has recorded a provision of $256,000 as of March 31, 1995 (1994—$2,512,000), representing management's best estimate of the additional costs which will be incurred by the Corporation to meet its contractual obligations.

4. Contingencies

(a) The Corporation has been named as defendant in proceedings commenced in 1975 by a supplier alleging losses resulting from the termination of a contract and seeking damages in an amount of $6.8 million plus accrued interest and costs. Negotiations are underway to settle this matter out of court. In management's opinion, this settlement will not have a material effect on the Corporation's results of operations.

(b) The Corporation has been named as respondent in proceedings commenced in 1987 in which a supplier challenged the applicability of the fee for service system, put in place by the Corporation in 1986, to a transaction between this supplier and the Corporation. The Corporation appealed the judgement of the Court of first instance rendered in 1990 which, inter alia, granted this supplier's motion. While the Corporation's accounts include management's best estimate of an amount necessary to settle a claim that could be commenced following an unfavourable judgement, management remains confident of its sound legal position.

5. Cash and Short-Term Deposits

As at March 31, 1995, cash and short-term deposits include notes receivable of $4,227,000 (1994—$4,308,000) that matured, but have not been repaid due to the financial difficulties encountered by the issuer. These notes receivable are secured by a first mortgage and an assignment of rental income. The Corporation continues to maintain a valuation allowance of $1,400,000 established in the prior year, and applied payments received in the year of $81,000 (1994—$109,000) to reduce the recorded amount of the notes. Interest has not been accrued on these notes as its ultimate collection is not reasonably assured. The Corporation has a legal claim to interest, of $720,000 (1994—$482,000), which has not been recorded in its accounts.

6. Accounts Receivable

As at March 31, 1995 the Corporation has accounts receivable from foreign governments of $153,561,000 (1994—$97,915,000), net of a provision of $1,570,000 (1994—$1,031,000) to cover the possible non-collection of certain accounts.

CANADIAN COMMERCIAL CORPORATION—*Concluded*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1995—*Concluded*

7. Segmented Information

The Corporation facilitates the sale of Canadian goods to foreign governments and international agencies. Export sales were distributed as follows:

	Years ended March 31	
	1995	1994
	(in thousands of dollars)	
U.S. Government	605,092	679,365
Other Foreign Governments	247,131	178,090
United Nations Agencies	24,899	23,110
	877,122	880,565

8. Related-Party Transactions

The Corporation had the following transactions with related parties in addition to those disclosed elsewhere in these financial statements:

(a) Public Works and Government Services Canada

Public Works and Government Services Canada provides contract management services to the Corporation at predetermined negotiated rates based on the amounts of contracts procured, and provides certain functions at cost. For the year ended March 31, 1995, the cost of these services amounted to $5,099,000 (1994—$5,430,000).

(b) Department of Justice

The Department of Justice represents the Corporation in certain matters. The Corporation pays for legal fees and expenses incurred in connection with specific actions but not for general legal services. For the year ended March 31, 1995, the cost of legal fees and expenses for specific actions amounted to $1,099,000 (1994—$816,000).

(c) Other

The Corporation is related in terms of common ownership to all Government of Canada-created departments, agencies and Crown corporations. The Corporation enters into transactions with these entities in the normal course of business.

As a result of all of the above transactions, the amounts due from and to these parties are $165,000 (1994—$1,001,000) and $408,000 (1994—$647,000) respectively.

9. Insurance

While the Corporation follows the practice of self-insuring, specific insurance is carried relating to fraud, computer hardware and software, travel accident and medical.

10. Commitments

In March 1995, the Corporation entered into a ten-year lease agreement for office space effective October 1, 1995. The minimum annual payments for the duration of the lease will approximate $800,000.

CANADIAN DAIRY COMMISSION

THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED JULY 31, 1995
WERE NOT AVAILABLE AT DATE OF PRINTING

CANADIAN DAIRY COMMISSION—*Continued*

MANAGEMENT RESPONSIBILITY FOR FINANCIAL STATEMENTS

The financial statements of the Canadian Dairy Commission and all information in this annual report are the responsibility of management. The statements have been prepared in accordance with generally accepted accounting principles, using management's best estimates and judgements where appropriate. Financial information presented elsewhere in the annual report is consistent with the statements provided.

In discharging its responsibility for financial reporting, management maintains and relies on financial and management control systems and practices designed to provide reasonable assurance that transactions are authorized, assets are safeguarded, and proper records are maintained. These controls and practices ensure the orderly conduct of business, the accuracy of accounting records, the timely preparation of reliable financial information and the adherence to Commission policies and statutory requirements. The process includes management's annual communication to employees of Treasury Board's guidelines on conflict of interest and code of conduct.

The Audit Committee of the Canadian Dairy Commission, made up of the Commissioners, oversees management's responsibilities for maintaining adequate control systems and the quality of financial reporting. The Commission's internal and external auditors have free access to the Audit Committee to discuss the results of their work and to express their concerns and opinions.

The financial statements have been audited by the Auditor General of Canada, the independent auditor for the Government of Canada.

Gilles Prégent
Chairman

Paul Simard
Director of Finance

AUDITOR'S REPORT

TO THE MINISTER DESIGNATE OF AGRICULTURE AND AGRI-FOOD

I have audited the balance sheet of the Canadian Dairy Commission as at July 31, 1994 and the statement of operations and financing by producer levies and the statement of dairy support program and costs financed by the Government of Canada for the year then ended. These financial statements are the responsibility of the Commission's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Commission as at July 31, 1994 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles. As required by the *Financial Administration Act*, I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Commission that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Canadian Dairy Commission Act* and the by-laws of the Commission.

Raymond Dubois, FCA
Deputy Auditor General
for the Auditor General of Canada

Ottawa, Canada
October 7, 1994

CANADIAN DAIRY COMMISSION—*Continued*

BALANCE SHEET AS AT JULY 31, 1994
(in thousands of dollars)

ASSETS	1994	1993
Accounts receivable		
Trade	13,771	202
Government of Canada (Dairy Support Program)	37,031	37,652
Producer levies (Note 3)	56,915	59,344
Inventories (Note 5)	68,712	73,814
	176,429	171,012

LIABILITIES	1994	1993
Accounts payable and accrued liabilities	48,328	35,363
Direct support payments payable to producers	37,030	37,635
Allowance for losses on disposal of surplus production	2,823	1,994
Loans from Government of Canada (Note 6)	68,099	58,419
	156,280	133,411
EXCESS OF FINANCING BY PRODUCER LEVIES		
Excess at end of year (Note 10)	20,149	37,601
	176,429	171,012

The accompanying notes and schedule are an integral part of these financial statements.

Approved:

GILLES PRÉGENT
Chairman

LOUIS BALCAEN
Vice-Chairman

PAUL SIMARD
Director of Finance

CANADIAN DAIRY COMMISSION—*Continued*

STATEMENT OF OPERATIONS AND FINANCING
BY PRODUCER LEVIES
FOR THE YEAR ENDED JULY 31, 1994
(in thousands of dollars)

	1994	1993
Export sales	99,339	76,416
Cost of goods sold	149,102	106,897
Loss on export sales	49,763	30,481
Domestic sales	86,633	87,489
Cost of goods sold	84,372	88,325
(Margin) loss on domestic sales	(2,261)	836
Total loss on sales	47,502	31,317
Assistance and expenses	83,130	79,724
Total cost of operations	130,632	111,041
Less portion of administration expenses financed by the Government of Canada	2,645	3,378
Net cost of operations financed by producer levies	127,987	107,663
Financing by producer levies (Note 4)	141,531	136,783
Excess in financing of net cost of operations	13,544	29,120
Excess at beginning of year	37,601	8,481
	51,145	37,601
Refunds of previous years' excess	30,996	
Excess at end of year	20,149	37,601

The accompanying notes and schedule are an integral part of these financial statements.

STATEMENT OF DAIRY SUPPORT PROGRAM AND COSTS
FINANCED BY THE GOVERNMENT OF CANADA
FOR THE YEAR ENDED JULY 31, 1994
(in thousands of dollars)

	1994	1993
Direct support payments to producers of industrial milk and cream	222,907	238,728
Administrative expenses	2,645	3,378
Costs of production and dairy policy studies	531	445
Total costs financed by the Government of Canada	226,083	242,551

The accompanying notes and schedule are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS
JULY 31, 1994

1. The Commission

The Canadian Dairy Commission (the "Commission"), is an agent Crown corporation named in Part I, Schedule III to the *Financial Administration Act* and is not subject to the provisions of the *Income Tax Act*. The objectives of the Commission, as established by the *Canadian Dairy Commission Act*, are "to provide efficient producers of milk and cream with the opportunity of obtaining a fair return for their labour and investment and to provide consumers of dairy products with a continuous and adequate supply of dairy products of high quality".

The Commission administers the dairy support program financed by the Government of Canada, under which it makes direct support payments to producers. In cooperation with the Canadian Milk Supply Management Committee (CMSMC), which it chairs, the Commission undertakes the management and administration of operations financed by producer levies. The results of the Commission's operations in each of these areas are presented in the Statement of Dairy Support Program and Costs Financed by the Government of Canada, and in the Statement of Operations and Financing by Producers Levies, respectively, in order to distinguish the accountability relationships for them.

The Commission purchases, at Canadian support prices, all butter and skim milk powder tendered to it. While most of the butter purchased by the Commission is later resold in the domestic market, most of the skim milk powder is in excess of domestic needs and is exported. The Commission sells production surplus to domestic requirements in the form of whole milk products, skim milk powder and butter on international markets at the prevailing world prices. Historically, these prices have usually been lower than Canadian support prices. The Commission also pays assistance to processors and exporters to help them in disposing of dairy products directly.

2. Significant Accounting Policies

Foreign currency translation

Substantially all sales in foreign currencies are hedged by currency conversion agreements and are translated into Canadian dollars at the exchange rates provided therein. Sales in foreign currencies that are not hedged are translated into Canadian dollars at the exchange rate in effect on the transaction date.

Inventories

Inventories are valued at the lower of cost or estimated net realizable value.

Allowance for losses on disposal of surplus production

The Commission establishes an allowance for losses on disposal of surplus production by reference to its outstanding purchase commitments, actual butter inventory levels at year-end relative to the normal levels, and world market prices. The Commission has determined normal year-end butter inventory levels to be 10 million kilograms (1993—8 million kilograms).

CANADIAN DAIRY COMMISSION—*Continued*

NOTES TO FINANCIAL STATEMENTS
JULY 31, 1994—*Continued*

Excess (deficiency) in financing of net cost of operations

Any deficiency or excess in the financing by producer levies of the net cost of operations may be carried forward and applied against future operations or recovered from or refunded to producers as determined by the CMSMC. Recoveries or refunds are recorded in the year declared.

Pension plan

Employees participate in the Public Service Superannuation Plan administered by the Government of Canada. The Commission's contributions to the plan are limited to matching the employee's contributions for current service. These contributions are expensed during the year in which services are rendered and represent the total pension obligations of the Commission.

3. Producer Levies Receivable

The province of British Columbia disagrees with the calculation of the Market Sharing Quota it is allocated under a 1984 amendment to the *National Milk Marketing Plan*. As a result, an amount of $3.9 million of over-quota levy pertaining to the 1991-92, 1992-93 and 1993-94 dairy years is included in the producer levies receivable account and remains uncollected. The province and the Commission have agreed to work towards a resolution of this issue. Should the Commission accept the calculation proposed by British Columbia, the quota allocation and levies payable by the other members of the *National Milk Marketing Plan* for the affected years would have to be modified accordingly.

4. Financing

Government of Canada (Dairy Support Program)

Agriculture and Agri-Food Canada provides financing to the Commission for direct support payments to producers of eligible industrial milk and cream up to maximum amounts authorized by the regulations. The rate of direct support payments was $1.508 per kilogram of butterfat or $5.43 per hectolitre of milk containing 3.6 kilograms of butterfat (1993—$1.675 or $6.03 respectively).

The Government of Canada has financed $2.6 million (1993—$3.4 million) of the Commission's administrative expenses of $5.2 million (1993—$5.2 million), as well as professional services relating to cost of production and dairy policy studies.

Producer levies

Producers are responsible for the costs of operations not financed by the Government of Canada. These costs are financed through levies agreed to by the CMSMC, charged on total milk, which comprises fluid milk sales and industrial milk production, collected by the provincial marketing boards and agencies, and remitted to the Commission.

Producer levies are comprised of:

	1994	1993
	(in thousands of dollars)	
In-quota levies	131,163	111,993
Over-quota levies	10,368	22,445
Butterfat skim off (fluid milk)		2,345
Total	141,531	136,783

Producer levies include $0.8 million (1993—$0.5 million) of interest charged to provincial milk marketing boards and agencies.

Levies include $0.08 (1993—$0.08) per hectolitre of industrial milk to cover the eligible costs associated with actual butter inventories up to normal levels determined by the Commission and for 1993-94, a portion of administrative expenses. Commencing August 1, 1994, this levy will be increased to $0.12 per hectolitre of industrial milk.

Effective August 1, 1993, the levy of $0.02 per hectolitre of industrial milk, which was intended to finance the processors' share of the Rebate Program for Further Processors, was discontinued.

Amounts funded and expensed for these programs are as follows:

	Eligible Costs Associated with Butter Inventory up to Normal Levels and a Portion of 1993-94 Administrative Expenses		Rebate Program for Further Processors—Processors' Share	
	1994	1993	1994	1993
	(in thousands of dollars)			
Opening balance	955	402	339	487
Funded during year	3,460	3,351		838
Expensed during year	(3,232)	(2,798)	(270)	(986)
Closing balance	1,183	955	69	339

The closing balances are included in the excess of financing by producer levies at year end. The $1,183,000 balance will be applied against the future costs of the program and a portion of administrative expenses. The balance of $69,000 will be used for future rebates to further processors on butter.

CANADIAN DAIRY COMMISSION—*Continued*

NOTES TO FINANCIAL STATEMENTS
JULY 31, 1994—*Concluded*

5. Inventories

	1994	1993
	(in thousands of dollars)	
Cost		
Butter	45,914	43,048
Skim milk powder	34,380	27,794
Other dairy products	1,799	16,758
	82,093	87,600
Less allowance for writedown		
Butter (mainly unsalted)	292	2,413
Skim milk powder	12,034	7,856
Other dairy products	1,055	3,517
	13,381	13,786
Net book value	68,712	73,814

In addition, in accordance with the Commission's accounting policies, the allowance for losses on disposal of surplus production has been established at $2.8 million (1993—$2.0 million).

In recognition of an increase in domestic butterfat requirements, the Commission has raised the normal butter inventory level at year end from 8 million to 10 million kilograms. Had the normal level remained at 8 million kilograms, a $2.3 million increase would have resulted in both the 1993-94 net cost of operations financed by producer levies and in the allowance for losses on disposal of surplus production.

6. Loans from Government of Canada

Loans from the Government of Canada, to a maximum of $300 million, are available to finance operations. Individual loans are repayable within one year from the date the loan is made. Principal and accrued interest are repaid when funds are available. The interest rates during the year were in accordance with normal rates established for Crown corporations by the government and varied from 3.6420 percent to 6.9629 percent (1993—8.6905 percent to 4.2812 percent).

Loan transactions for the year are summarized as follows:

	1994	1993
	(in thousands of dollars)	
Balance at beginning of year	58,419	150,791
Borrowings	226,197	167,329
Payments	(216,517)	(259,701)
Balance at end of year	68,099	58,419
Accrued interest at end of year	498	358

7. Representatives' Fees

The Commission has used the services of representatives for the sale of dairy products on the export market. Total fees for the year were $2.3 million (1993—$1.8 million) and are included in cost of goods sold.

8. Purchase Commitments

As at July 31, 1994, the Commission was committed to purchase butter and skim milk powder produced prior to that date at Canadian support prices and other dairy products produced prior to that date at negotiated contract prices. These commitments amounted to approximately $7.4 million (1993—$5.2 million).

9. Related Party Transactions

Included in export sales is an amount of $4.5 million (1993—$4.1 million) to the Canadian International Development Agency. These sales were carried out in the normal course of business and at the Commission's established export sale prices.

In addition, government departments provided the Commission with certain administrative services without charge. The cost of these services is not recorded in the Commission's accounts.

10. Subsequent Events

The Canadian Milk Supply Management Committee, at its meeting of October 4 and 5, 1994, decided that $11.8 million of the excess in financing by producer levies at end of year will be refunded to the provinces in proportion to their share of levy revenues.

11. Financial Statement Presentation

A statement of changes in financial position has not been included because, in the opinion of management, it would not provide any meaningful additional information.

CANADIAN DAIRY COMMISSION—*Concluded*

SCHEDULE OF OPERATIONS BY PRODUCT
FOR THE YEAR ENDED JULY 31, 1994
(in thousands of dollars)

	1994					1993				
	Butter	Skim Milk Powder	Evaporated Milk	Other Products*	Total	Butter	Skim Milk Powder	Evaporated Milk	Other Products*	Total
Export sales	3,745	62,167	7,332	26,095	99,339	17,250	32,056	23	27,087	76,416
Cost of goods sold	10,107	90,258	9,181	39,556	149,102	28,712	43,882	22	34,281	106,897
Loss (margin) on export sales	6,362	28,091	1,849	13,461	49,763	11,462	11,826	(1)	7,194	30,481
Domestic sales	67,862	4,682	14,089 **		86,633	80,342	4,588	2,559 **		87,489
Cost of goods sold	65,638	4,502	14,232		84,372	80,476	5,303	2,546		88,325
(Margin) loss on domestic sales	(2,224)	(180)	143		(2,261)	134	715	(13)		836
Total loss (margin) on sales	4,138	27,911	1,992	13,461	47,502	11,596	12,541	(14)	7,194	31,317
Assistance and expenses										
Dairy product assistance										
—Export	3,017	510	52	25,797	29,376	3,213	556	38	27,351	31,158
—Domestic	11,035	6,588	5	10,129	27,757	7,206	9,376		6,151	22,733
Inventory writedown	292	12,034		1,055	13,381	2,413	7,856		3,518	13,787
Promotion	58	266			324	29	168			197
Carrying charges	1,898	1,261	553	81	3,793	3,269	801	255	348	4,673
Provision for (recovery of) doubtful accounts				505	505				(39)	(39)
	16,300	20,659	610	37,567	75,136	16,130	18,757	293	37,329	72,509
Provision for losses on disposal of surplus production					2,823					1,994
Administrative expenses					5,171					5,221
Total assistance and expenses					83,130					79,724
Total cost of operations					130,632					111,041

*Include whole milk powder and cheese.
**Plan B re-purchase program.

CANADIAN FILM DEVELOPMENT CORPORATION

MANAGEMENT REPORT

The financial statements of the Canadian Film Development Corporation are the responsibility of management and have been approved by the Board of Directors of the Corporation. The financial statements have been prepared in accordance with generally accepted accounting principles and, where appropriate, include estimates based on the experience and judgement of management. Management is also responsible for all other information in the annual report and for ensuring that this information is consistent with the financial statements.

Management maintains books of account, financial and management control, and information systems, together with management practices designed to provide reasonable assurance that reliable and relevant information is available on a timely basis, that assets are safeguarded and controlled, that resources are managed economically and efficiently in the attainment of corporate objectives, and that operations are carried out effectively. These systems and practices are also designed to provide reasonable assurance that transactions are in accordance with the *Financial Administration Act* and its regulations, the *Canadian Film Development Corporation Act* and the by-laws and policies of the Corporation.

The Board of Directors is responsible for ensuring that management fulfils its responsibilities for financial reporting as stated above. The Board exercises its responsibilities through the Audit Committee, which consists of directors who are not officers of the Corporation. The Audit Committee reviews the quarterly financial statements, as well as the annual financial statements and related reports; the Committee meets with the external auditors annually and, may make recommendations to the Board of Directors with respect to these and/or related matters.

The external auditor, the Auditor General of Canada, conducts and independent examination of the financial statements and reports to the Corporation and to the minister Designate of Canadian Heritage.

François Macerola
Executive Director

Danny Chalifour
Director of finance

Montreal, Canada
June 2, 1995

AUDITOR'S REPORT

TO THE MINISTER DESIGNATE OF CANADIAN HERITAGE

I have audited the balance sheet of the Canadian Film Development Corporation as at March 31, 1995 and the statements of operations, equity of Canada and changes in financial position for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 1995 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles. As required by the *Financial Administration Act*, I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, proper books of account have been kept by the Corporation, the financial statements are in agreement therewith and the transactions of the Corporation that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with the *Financial Administration Act* and regulations, the *Canadian Film Development Corporation Act* and the by-laws of the Corporation.

Raymond Dubois, FCA
Deputy Auditor General
for the Auditor General of Canada

Ottawa, Canada
June 2, 1995

CANADIAN FILM DEVELOPMENT CORPORATION—*Continued*

BALANCE SHEET AS AT MARCH 31, 1995

ASSETS	1995	1994
	$	$
Current		
Loans	2,926,638	4,500,426
Investments	1,674,850	1,061,460
Parliamentary appropriation receivable	34,937,399	26,139,346
Accounts receivable	3,414,214	2,151,451
Prepaid expenses	416,861	127,211
	43,369,962	33,979,894
Long-term		
Loans	1,486,658	569,000
Investments	765,000	864,000
	2,251,658	1,433,000
Capital assets (Note 3)	3,423,994	3,823,941
	49,045,614	39,236,835

LIABILITIES	1995	1994
	$	$
Current		
Accounts payable	9,306,897	9,852,608
Long-term		
Provision for employee termination benefits	785,000	760,000
Deferred lease inducements	193,212	220,814
	978,212	980,814
	10,285,109	10,833,422
Commitments (Note 6)		
Contingencies (Note 8)		
EQUITY OF CANADA		
Equity of Canada	38,760,505	28,403,413
	49,045,614	39,236,835

Approved by the Board:

ROBERT DINAN
Chairman

Approved by Management:

FRANÇOIS MACEROLA
Executive Director

STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 1995

	1995			1994
	Canadian programming	Feature films	Total	Total
	$	$	$	$
Assistance expenses (Note 4)				
English production	36,646,664	9,297,067	45,943,731	51,251,419
French production	25,343,559	10,144,235	35,487,794	36,829,768
Distribution and marketing		17,841,461	17,841,461	16,169,271
Development of the industry		6,370,764	6,370,764	7,220,283
	61,990,223	43,653,527	105,643,750	111,470,741
Revenues				
Interest on loans	90,183	170,631	260,814	405,497
Other interest	176,985	167,730	344,715	534,864
	267,168	338,361	605,529	940,361
Cost of operations before administration expenses	61,723,055	43,315,166	105,038,221	110,530,380
Administration expenses (Note 5)			6,946,687	7,724,508
Cost of operations for the year			111,984,908	118,254,888

CANADIAN FILM DEVELOPMENT CORPORATION—*Continued*

STATEMENT OF EQUITY OF CANADA
FOR THE YEAR ENDED MARCH 31, 1995

	1995	1994
	$	$
Balance at beginning of the year	28,403,413	22,739,301
Parliamentary appropriation for the year	122,342,000	132,419,000
Payment to the Consolidated Revenue Fund		(8,500,000)
Cost of operations for the year	(111,984,908)	(118,254,888)
Balance at end of the year	38,760,505	28,403,413

STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED MARCH 31, 1995

	1995	1994
	$	$
Operating activities		
Cost of operations for the year	(111,984,908)	(118,254,888)
Items not affecting liquidity		
Provision for loan losses	(25,577)	828,000
Amortization	1,041,604	1,004,621
Increase in the provision for employee termination benefits	25,000	103,400
	(110,943,881)	(116,318,867)
Net change in non liquidity items of working capital related to operations	(2,098,124)	1,240,943
Decrease in deferred lease inducements	(27,602)	(27,602)
	(113,069,607)	(115,105,526)
Investing activities		
Loans	(8,249,130)	(8,823,000)
Reimbursements of loans	8,930,837	6,880,456
Investments	(2,898,990)	(2,150,460)
Reimbursements of investments	2,384,600	225,000
Acquisition of capital assets	(641,657)	(498,986)
	(474,340)	(4,366,990)
Financing activities		
Parliamentary appropriation for the year	122,342,000	132,419,000
Payment to the Consolidated Revenue Fund		(8,500,000)
	122,342,000	123,919,000
Parliamentary appropriation receivable		
Increase for the year	8,798,053	4,446,484
Balance at beginning of the year	26,139,346	21,692,862
Balance at end of the year	34,937,399	26,139,346

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1995

1. Authority and activities

The Corporation was established in 1967 by the *Canadian Film Development Corporation Act* with the objective of fostering and promoting the development of a feature film industry in Canada. The Corporation has since been charged with the administration of the Canadian Broadcast Program Development Fund, established on July 1, 1983, within the framework of the Broadcasting Strategy for Canada as well as with the management of various new programs established under the National Film and Video Policy of May 1984.

The Corporation is a Crown corporation subject inter alia to the provisions of Part VIII of the *Financial Administration Act* as it read before its repeal in 1984 and as if it continued to be named in Schedule C of the Act.

2. Significant accounting policies

(a) Liquidity

The financial operations of the Corporation are processed through the Consolidated Revenue Fund of Canada, thus the absence of bank accounts. For the purposes of the statement of changes in financial position, its liquidity consists of a parliamentary appropriation receivable.

(b) Investments

Investments include funds invested in the production of feature films and Canadian programming, in return for a share in the operating revenues, as well as all other forms of industry support, but excluding loans.

Investments in productions accompanied by pre-established obligations to reimburse, guaranteed or not, are shown on the balance sheet at their face value, less an allowance for losses. This allowance for losses is determined by examining each investment individually. The other investments are charged to assistance expenses in the year in which the funds are paid or have become payable.

Returns on investments, other than those recognized on the balance sheet, are credited to expenses as a reduction of assistance expenses made during the year. Any proceeds in excess of the related investment is accounted for as revenues.

(c) Loans

Loans are shown on the balance sheet at their face value, less an allowance for losses. This allowance for losses is determined by examining each loan individually.

(d) Interest revenues

Interest revenues are recognized on an accrual basis and represent the amounts charged on loans as well as all other amounts due to the Corporation, less an allowance for losses. This allowance for losses is determined by examining each amount individually.

(e) Capital assets

Capital assets are recorded at cost. Amortization is recorded, using the diminishing-balance method, at the annual rate of 20 percent for the furniture and equipment and for the computer installations. Leasehold improvements are amortized, using the straight-line method, based on the terms of the leases. Software are amortized, using the straight-line method, over a five year period.

CANADIAN FILM DEVELOPMENT CORPORATION—*Continued*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1995—*Continued*

(f) Parliamentary appropriation

The parliamentary appropriation comprises a lapsing amount for the production of Canadian programming and another amount for the development of a feature film industry which can be carried forward to future years up to the amount of unused film receipts. The admissible parliamentary appropriation is credited to the Equity of Canada.

(g) Employee termination benefits

On termination of employment, employees are entitled to certain benefits provided for under their conditions of employment. The cost of these benefits is expensed in the year in which they are earned.

(h) Pension plan

Admissible employees participate in the superannuation plan administered by the Government of Canada. The employees and the Corporation contribute equally to the cost of the plan. This contribution represents the total liability of the Corporation. Contributions in respect of current services and admissible past services are expensed during the year in which payments are made. The Corporation is not required under present legislation to make contributions with respect to actuarial deficiencies of the Public Service Superannuation Account.

3. Capital assets

	1995			1994
	Cost	Accumulated amortization	Net	Net
	$	$	$	$
Computer installations	3,299,496	2,024,993	1,274,503	1,110,413
Software	2,404,277	1,413,457	990,820	1,475,996
Leasehold improvements	1,289,555	631,749	657,806	621,153
Furniture and equipment	2,088,711	1,587,846	500,865	616,379
	9,082,039	5,658,045	3,423,994	3,823,941

4. Assistance expenses

	1995			1994
	Canadian programming	Feature films	Total	Total
	$	$	$	$
Investments	71,738,693	49,838,857	121,577,550	124,935,072
Returns on investments	(12,335,331)	(12,533,024)	(24,868,355)	(24,154,338)
Provision for loan losses	36,547	(62,124)	(25,577)	828,000
Reimbursements of loans previously written-off or written down	(268,760)	(396,641)	(665,401)	(102,635)
	59,171,149	36,847,068	96,018,217	101,506,099
Operating expenses (Note 5)	2,819,074	6,806,459	9,625,533	9,964,642
	61,990,223	43,653,527	105,643,750	111,470,741

CANADIAN FILM DEVELOPMENT CORPORATION—*Concluded*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1995—*Concluded*

5. Operating expenses

	1995	1994
	$	$
Salaries and employee benefits	9,631,888	10,735,284
Rent, taxes, heating and electricity	2,356,933	2,315,574
Office expenses	1,134,974	1,113,641
Amortization	1,041,604	1,004,621
Professional services	911,767	897,215
Travel	690,505	683,134
Telecommunications	267,765	319,436
Relocation	189,300	189,154
Hospitality	184,845	227,276
Advertising and publications	162,639	203,815
	16,572,220	17,689,150
Portion applicable to assistance expenses (Note 4)	9,625,533	9,964,642
Portion applicable to administration expenses	6,946,687	7,724,508

6. Commitments

(a) Projects

As at March 31, 1995, the Corporation:

	French projects	English projects	Total
	$	$	$
is contractually committed to advance funds as loans and investments	7,197,767	11,943,483	19,141,250
has accepted to finance projects that may call for disbursements	7,278,145	2,468,784	9,746,929
	14,475,912	14,412,267	28,888,179

Under a production revenue sharing program, the Corporation has committed funds totalling $4,122,125 as at March 31, 1995, for projects yet to be submitted, under certain conditions.

(b) Leases

The Corporation has entered into long-term leases for the rental of office space and equipment used in its operations. The aggregate minimum annual rentals payable during subsequent years are as follows:

	$
1996	2,442,902
1997	2,266,212
1998	2,179,501
1999	2,161,699
2000	2,019,087
2001-2006	5,568,311
	16,637,712

7. Related party transactions

The Corporation is related in terms of common ownership to all Government of Canada created departments, agencies and Crown corporations. The Corporation enters into transactions with these entities in the normal course of business.

8. Contingencies

In the ordinary course of business, various claims and lawsuits have been brought against the Corporation. In the opinion of management, the losses, if any, which may result from the settlement of the matters are not likely to be material and accordingly no provision has been made in the accounts of the Corporation. In the event that such expenses were to occur, they would be recognized as period costs.

9. Comparative figures

Some of the 1994 comparative figures have been reclassified to conform with the presentation adopted for 1995.

CANADIAN MUSEUM OF CIVILIZATION

MANAGEMENT'S RESPONSABILITY FOR FINANCIAL STATEMENTS

The financial statements contained in this annual report have been prepared by Management in accordance with generally accepted accounting principles, and the integrity and objectivity of the data in these financial statements are Management's responsibility.

In support of its responsibility, Management has developed and maintains books of account, records, financial and management controls, information systems and management practices. These are designed to provide reasonable assurance as to the reliability of financial information, that assets are safeguarded and controlled, and that transactions are in accordance with the *Financial Administration Act* and regulations as well as the *Museums Act* and by-laws of the Corporation.

The Board of Trustees is responsible for ensuring that Management fulfills its responsibilities for financial reporting and internal control. The Board exercises its responsibilities through the Audit Committee, which includes a majority of members who are not officers of the Corporation. The Committee meets with Management and the independent external auditor to review the manner in which these groups are performing their responsibilities, and to discuss auditing, internal controls and other relevant financial matters. The Audit Committee has reviewed the financial statements with the external auditor and has submitted its report to the Board of Trustees. The Board of Trustees has reviewed and approved the financial statements.

The Corporation's external auditor, the Auditor General of Canada, examines the financial statements and reports to the Minister of Canadian Heritage, who is responsible for the Canadian Museum of Civilization.

George F. MacDonald
Executive Director

J. Geurts
Managing Director

May 17, 1995

AUDITOR'S REPORT

TO THE MINISTER DESIGNATE OF CANADIAN HERITAGE

I have audited the balance sheet of the Canadian Museum of Civilization as at March 31, 1995 and the statements of operations, equity of Canada and changes in financial position for the year then ended. These financial statements are the responsibility of the corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 1995 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles. As required by the *Financial Administration Act,* I report that, in my opinion, these principles have been applied, after giving retroactive effect to the change in the method of accounting for donation revenue and the corresponding expenses as explained in Note 3 to the financial statements, on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Corporation that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Museums Act* and by-laws of the Corporation.

Raymond Dubois, FCA
Deputy Auditor General
for the Auditor General of Canada

Ottawa, Canada
May 19, 1995

CANADIAN MUSEUM OF CIVILIZATION—*Continued*

BALANCE SHEET AS AT MARCH 31, 1995
(in thousands of dollars)

ASSETS	1995	1994
Current		
Cash and short-term investments	13,108	8,845
Accounts receivable (Note 4)	2,488	1,563
Inventories	1,245	1,165
Prepaid expenses	93	4
	16,934	11,577
Deferred charges	382	363
Restricted cash and investments (Note 5)	2,637	2,495
Collection (Note 2)	1	1
Capital assets (Note 6)	10,496	10,797
	30,450	25,233

LIABILITIES	1995	1994
Current		
Accounts payable and accrued liabilities (Note 7)	9,775	6,446
Deferred revenue (Note 8)	3,050	2,932
	12,825	9,378
Long-term		
Accrued employee termination benefits	2,028	2,142
	14,853	11,520
EQUITY		
Equity of Canada (Note 9)	15,597	13,713
	30,450	25,233

Approved by Management:

DR. GEORGE F. MacDONALD
Executive Director

JOE GEURTS
Managing Director

Approved by the Board of Trustees:

PETER A. HERRNDORF
Chairman

PIERRE MOREAULT
Trustee

CANADIAN MUSEUM OF CIVILIZATION—*Continued*

STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 1995
(in thousands of dollars)

	1995	1994
Expenses		
Personnel costs	26,165	26,869
Professional and special services	6,758	5,275
Exhibit design and fabrication	4,423	3,395
Repairs and maintenance—Building	4,080	19
Amortization	2,460	3,471
Utilities	1,953	
Furniture and fixtures	1,688	2,306
Building leases	1,599	
Restructuring costs	1,487	
Cost of goods sold	1,160	879
Transportation	968	1,174
Marketing and advertising	834	795
Communications	774	828
Repairs and maintenance—Other	569	895
Protection services	512	504
Collection acquisitions	371	454
CINÉPLUS films	120	202
Rentals	91	226
Other	96	85
	56,108	47,377
Revenues		
CINÉPLUS	1,982	1,901
Boutique sales	1,556	1,456
General admission fees	1,258	1,120
Interest on cash and short-term investments	685	349
Parking	618	580
Facility rental and food services concession	532	526
Donations	258	64
Publications	147	99
Royalties	22	321
Other	856	711
	7,914	7,127
Excess of expenses over revenues before parliamentary appropriation	48,194	40,250

STATEMENT OF EQUITY OF CANADA
FOR THE YEAR ENDED MARCH 31, 1995
(in thousands of dollars)

	1995	1994
Balance at beginning of year	13,713	14,412
Excess of expenses over revenues before parliamentary appropriation	(48,194)	(40,250)
Parliamentary appropriation for operations and acquisition of capital assets	50,078	39,551
Balance at end of year	15,597	13,713

STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED MARCH 31, 1995
(in thousands of dollars)

	1995	1994
Operating activities		
Excess of expenses over revenue before parliamentary appropriation	(48,194)	(40,250)
Items not affecting funds		
Amortization net of disposal of capital assets	2,422	3,466
Employee termination benefits	(151)	72
	(45,923)	(36,712)
Change in non-cash operating assets and liabilities	2,255	(345)
Funds used for operating activities	(43,668)	(37,057)
Investing activities		
Acquisition of capital assets	(2,147)	(2,162)
Financing activities		
Parliamentary appropriation	50,078	39,551
Increase in cash and short-term investments	4,263	332
Balance at beginning of year	8,845	8,513
Balance at end of year	13,108	8,845

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1995

1. Mission and mandate

The Canadian Museum of Civilization was established on July 1, 1990 by the *Museums Act*. The Canadian Museum of Civilization is an agent Crown Corporation named in Part I of Schedule III to the *Financial Administration Act*. The Canadian War Museum is a component of the Canadian Museum of Civilization.

The mission, as stated in the *Museums Act*, is as follows:

"to increase, throughout Canada and internationally, interest in, knowledge and critical understanding of and appreciation and respect for human cultural achievements and human behaviour by establishing, maintaining and developing for research and posterity a collection of objects of historical or cultural interest, with special but not exclusive reference to Canada, and by demonstrating those achievements and behaviour, the knowledge derived from them and the understanding they represent."

In compliance with the *Museums Act*, assets, liabilities and equity belonging to the Canadian Museum of Civilization were transferred, as of July 1, 1990, from the National Museums of Canada to the Canadian Museum of Civilization, at book value.

2. Significant accounting policies

(a) Inventories

Inventories, which consist of materials for the boutiques and publications, are valued at the lower of cost and net realizable value.

CANADIAN MUSEUM OF CIVILIZATION—*Continued*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1995—*Continued*

(b) Collection

The artifact collection forms the largest part of the assets of the Corporation, but it is presented in the balance sheet at a nominal value of $1,000, given the practical difficulties of determining a meaningful value for these assets.

Objects purchased for the collection of the Corporation are recorded as an expense in the year of acquisition. Objects donated to the Corporation are not recorded in the books of accounts.

(c) Capital assets

Capital assets were transferred to the Corporation on July 1, 1990 at the then book value of the National Museums of Canada. The value has been credited to the equity of Canada. Capital assets acquired since July 1, 1990 are valued at cost.

Amortization is calculated on the straight-line method, based on the estimated useful lives of assets:

Leasehold and building improvements	10 years
Office furniture and equipment	8 years
Technical and informatics equipment	5 and 8 years
Motor vehicles	5 years

Since the buildings are not owned by the Corporation, no amortization is taken.

However, transfer of administration from Public Works and Government Services Canada to the Corporation did occur effective April 1, 1994. The effect has been an increase in expense during the year for facility related services.

(d) Pension plan

Employees of the Corporation participate in the Public Service Superannuation Plan, administered by the Government of Canada. The Corporation matches these contributions equally for each employee, for the year in which services are rendered. These contributions are expended during the year in which services are rendered, and represent the total obligation of the Corporation for employee pension plan. The Corporation is not required under present legislation to make contributions with respect to actuarial deficiencies of the Public Service Superannuation Account.

(e) Employee termination benefits

Employees of the Corporation are entitled to specified benefits on termination, as provided for under labour contracts and conditions of employment. The cost of these benefits is expended in the year in which they are earned.

(f) Parliamentary appropriation

The parliamentary appropriation for operating and capital expenditures is credited to the equity of Canada during the fiscal year for which it is approved.

(g) Donations

Cash donations are deferred and recognized as revenue only when corresponding expenses are incurred. Cash donations for a specified purpose are managed in accordance with the donor's wishes whereas unspecified cash donations are used for exhibit development based on the by-laws of the Corporation.

3. Change in accounting policy

The Corporation adopted retroactively a change in accounting policy for the recognition of donation (previously trust account) revenue and corresponding expenses.

The new policy specifies that cash donations are deferred and recognized as revenue only when corresponding expenses are incurred. Previously, expenditures relating to cash donations were charged against the trust accounts in the year they were incurred, and were not recorded in the statement of operations.

Accordingly, prior period operating results have been restated and as a result of the accounting policy change, the equity of Canada remains unchanged.

4. Accounts receivable

	1995	1994
	(in thousands of dollars)	
Refundable taxes	1,320	337
Trade accounts	525	720
Appropriation receivable	508	426
Recoveries of salaries from government departments		38
Other	135	42
	2,488	1,563

5. Restricted cash and investments

Restricted cash and investments include cash donations received from individuals and corporate entities, and are managed in accordance with the donor's wishes and the by-laws of the Corporation. Cash donations are invested in accordance with the investment policies of the Corporation.

6. Capital assets

			1995	1994
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
	(in thousands of dollars)			
Leasehold and building improvements	10,978	4,190	6,788	5,850
Office furniture and equipment	5,451	3,651	1,800	2,429
Technical equipment	6,703	5,797	906	1,681
Informatics equipment	5,241	4,275	966	789
Motor vehicles	128	92	36	48
	28,501	18,005	10,496	10,797

CANADIAN MUSEUM OF CIVILIZATION—*Concluded*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1995—*Concluded*

7. Accounts payable and accrued liabilities

	1995	1994
	(in thousands of dollars)	
Trade accounts payable	4,360	4,111
Accrued salaries and vacation pay	3,149	1,928
Government departments and agencies	2,137	222
Current portion of accrued employee termination benefits	129	185
	9,775	6,446

8. Deferred revenues

Deferred revenues include receipts from operations and cash donations which are related to future period activities. Receipts from operations are recognized when earned and cash donations are recognized when corresponding expenses are incurred.

Changes in the deferred revenue balance are as follows:

	1995	1994
	(in thousands of dollars)	
DONATIONS		
Balance at beginning of year	2,502	2,160
Less amount recognized as revenue	258	64
Add amount received related to future period activities	425	406
Balance at end of year	2,669	2,502
OPERATIONS		
Balance at beginning of year	430	28
Less amount recognized as revenue	110	28
Add amount received related to future period activities	61	430
Balance at end of year	381	430

9. Equity of Canada

The equity of Canada represents the book value of assets and liabilities transferred from the former National Museums of Canada as of July 1, 1990 and the net results of operations of the Corporation since that date. However, it does not reflect the value of land and buildings occupied by the Corporation, as these are presently owned by the Government of Canada.

10. Restructuring

In an effort to reduce expenses, the Corporation developed a plan aimed at reducing salary costs through early retirement and voluntary departure incentives. The cost of these initiatives is $1,487,000, and has been charged to operations in the year ended March 31, 1995.

11. Related party transactions

The Corporation receives, without charge, collections management and auditing services from different government departments and agencies. The cost of these services are not reflected in the financial statements.

In addition to those related party transactions, disclosed elsewhere in these financial statements, the Corporation is related in terms of common ownership to all Government of Canada created departments, agencies and Crown corporations. The Corporation enters into transactions with these entities in the normal course of business.

12. Commitments

The Corporation has entered into long-term contracts for informatics and photo-imaging services, with a remaining value of $6,016,830.

13. Comparative figures

Certain comparative figures have been reclassified to conform with the presentation adopted in the current year.

CANADIAN MUSEUM OF NATURE

MANAGEMENT'S RESPONSIBILITY OF FINANCIAL REPORTING

Management is responsible for establishing and maintaining a system of books, records, internal controls, and management practices to provide reasonable assurance that: reliable financial information is produced; the assets of the Corporation are safeguarded and controlled; the transactions of the Corporation are in accordance with the relevant legislation, regulations, and by-laws of the Corporation; the resources of the Corporation are managed efficiently and economically; and the operations of the Corporation are carried out effectively.

Management is also responsible for the integrity and objectivity of the financial statements of the Corporation. The accompanying financial statements were prepared in accordance with generally accepted accounting principles. The financial information contained elsewhere in this annual report is consistent with that in the financial statements.

The Board of Trustees is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Board exercises its responsibilities through the Audit and Finance Committee, which includes a majority of members who are not officers of the Corporation. The Committee meets from time to time with management, the Corporation's internal auditors and the Auditor General of Canada to review the manner in which these groups are performing their responsibilities, and to discuss auditing, internal controls, and other relevant financial matters. The Audit and Finance Committee has reviewed the financial statements with the Auditor General of Canada and has submitted its report to the Board of Trustees, which has approved the financial statements.

The financial statements have been audited by the Auditor General of Canada. His report offers an independent opinion on the financial statements to the Minister Designate of Canadian Heritage.

Alan R. Emery
President and Chief Executive Officer

Robert N. LeBlanc
Chief Operating Officer

AUDITOR'S REPORT

TO THE MINISTER DESIGNATE OF CANADIAN HERITAGE

I have audited the balance sheet of the Canadian Museum of Nature as at March 31, 1995 and the statements of income and expense, equity of Canada and changes in cash position for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 1995 and the results of its operations and the changes in its cash position for the year then ended in accordance with generally accepted accounting principles. As required by the *Financial Administration Act*, I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Corporation that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Museums Act* and the by-laws of the Corporation.

Raymond Dubois, FCA
Deputy Auditor General
for the Auditor General of Canada

Ottawa, Canada
June 15, 1995

CANADIAN MUSEUM OF NATURE—*Continued*

BALANCE SHEET AS AT MARCH 31, 1995
(in thousands of dollars)

ASSETS	1995	1994
Current		
Cash and short-term investments (Note 3)	9,312	1,691
Accounts receivable		
Government departments and agencies	201	1,153
Others	443	133
Inventories	264	331
Prepaid expenses	271	215
	10,491	3,523
Restricted cash and short-term investments (Notes 4 and 5)	5,242	1,850
Deferred charges	600	
Collections (Note 6)	1	1
Capital assets (Note 7)	2,837	2,549
	19,171	7,923

LIABILITIES	1995	1994
Current		
Accounts payable and accrued liabilities		
Others	2,112	1,986
Government departments and agencies (Note 3)	6,205	178
Deferred revenue—Stonework parliamentary appropriation (Notes 8 and 9)	2,864	
Due to Canada	186	266
Provision for termination benefits	185	343
	11,552	2,773
Provision for termination benefits	1,021	1,017
Deferred revenues (Note 8)	2,183	1,621
Endowment fund (Note 5)	250	250
	15,006	5,661
EQUITY OF CANADA	4,165	2,262
	19,171	7,923

Significant events (Note 13)
The accompanying notes form an integral part of the financial statements.

Approved by the Board of Trustees:

NORMAN E. WAGNER
Chairman of the Board of Trustees

LLOYD BARBER
Chairman of the Audit and Finance Committee

Approved by Management:

ALAN R. EMERY
President and Chief Executive Officer

ROBERT N. LeBLANC
Chief Operating Officer

CANADIAN MUSEUM OF NATURE—*Continued*

STATEMENT OF INCOME AND EXPENSE
FOR THE YEAR ENDED MARCH 31, 1995
(in thousands of dollars)

	1995	1994
Income		
Parliamentary operating appropriation (Note 9)	23,817	18,938
Commercial operations (Note 10)	1,113	1,018
Contributions (Note 8)	162	564
Educational programmes	351	173
Scientific services	56	113
Interest income	311	118
Other	77	52
	25,887	20,976
Expense		
Personnel costs	12,218	12,166
Severance costs (Note 12)		1,598
Professional and special services	2,791	2,365
Real property leases (Note 13a)	3,759	
Victoria Memorial Museum Building operating and maintenance (Note 13a)	1,546	
Stonework project costs (Note 13a)	309	
Amortization	1,306	1,200
Materials and supplies	906	792
Communications	504	575
Repairs and maintenance	416	383
Travel	504	387
Rentals of exhibits and equipment	553	181
Exhibit design and fabrication	102	330
Freight and cartage	265	208
Marketing and advertising	373	209
Acquisitions of objects for collections	17	17
Other	11	82
Recovery of previous years expenses		(220)
Bad debt expense		22
	25,580	20,295
Excess of income over expense	307	681
Reconciliation to government funding		
Add: items not requiring current operating funds (Note 15)	1,313	933
Surplus for the year	1,620	1,614

The accompanying notes form an integral part of the financial statements.

STATEMENT OF EQUITY OF CANADA
FOR THE YEAR ENDED MARCH 31, 1995
(in thousands of dollars)

	1995	1994
Balance, beginning of year	2,262	767
Parliamentary capital appropriation (Note 9)	756	814
Conveyance of land from Canada (Note 13a)	840	
Excess of income over expense	307	681
Balance, end of year	4,165	2,262

The accompanying notes form an integral part of the financial statements.

STATEMENT OF CHANGES IN CASH POSITION
FOR THE YEAR ENDED MARCH 31, 1995
(in thousands of dollars)

	1995	1994
Operating activities		
Excess of income over expense	307	681
Items not involving cash:		
Amortization of capital assets	1,306	1,200
Employee termination benefits	4	(267)
Loss on disposal of capital assets	3	
Deferred revenues	(2,830)	21
Net change in non-cash working capital	9,511	(1,547)
	8,301	88
Financing activities		
Parliamentary capital appropriation	756	814
Conveyance of land from Canada	840	
Due to Canada	(80)	(220)
	1,516	594
Investing activities		
Conveyance of land from Canada	(840)	
Acquisition of capital assets	(756)	(814)
Deferred charges	(600)	
	(2,196)	(814)
Increase (decrease) in cash and short-term investments	7,621	(132)
Cash and short-term investments, beginning of year	1,691	1,823
Cash and short-term investments, end of year	9,312	1,691

The accompanying notes form an integral part of the financial statements.

CANADIAN MUSEUM OF NATURE—*Continued*

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 1995

1. Authority and mission

The Canadian Museum of Nature was established by the *Museums Act* on July 1st, 1990 and is an agent Crown corporation named in Part I of Schedule III to the *Financial Administration Act.*

The Corporation's mission is to increase, throughout Canada and internationally, interest in, knowledge of, and appreciation and respect for the natural world by establishing, maintaining, and developing for research and posterity a collection of natural history objects, with special but not exclusive reference to Canada, and by demonstrating the natural world, the knowledge derived from it and the understanding it represents.

2. Significant accounting policies

These financial statements are prepared in accordance with generally accepted accounting principles and reflect the following policies:

(a) Inventories

Inventories of publications and boutique are valued at the lower of cost or net realizable value.

(b) Capital assets

Capital assets are recorded at cost. Amortization is calculated on the straight-line method based upon the estimated useful life of the assets as follows:

Research equipment	10 years
Technical equipment	10 years
Furnishings and office equipment	10 years
Computer equipment	5 years
Motor vehicles	5 years

Major leasehold improvements are capitalized and amortized over the term of the respective leases to a maximum period of five years.

Land transferred to the corporation from the Government of Canada has been recorded at fair market value and has been credited to the Equity of Canada.

Material and equipment acquired for the purpose of the design, development and maintenance of exhibits are charged to operations in the year of acquisition.

(c) Collections

The Canadian Museum of Nature holds and preserves invaluable collections of natural history specimens for the benefit of Canadians, present and future. The collections form the largest part of the assets of the Corporation. The collections are shown as an asset on the balance sheet at a nominal value of $1,000 to ensure that the reader is aware of disclosure issues concerning the description of the collections and the stewardship policies followed by the Museum in Note 6.

Objects purchased for the collections are recorded as an expense in the year of acquisition. Objects donated to the Corporation are not recorded in the books of accounts.

(d) Pension Plan

The Corporation's employees participate in the Public Service Superannuation Plan administered by the Government of Canada. Contributions to the Plan are made both by the employees and the Corporation on an equal basis. These contributions represent the total pension obligations of the Corporation and are recognized in the accounts on a current basis.

The Corporation is not required to make contributions with respect to actuarial deficiencies of the Public Service Superannuation Account.

(e) Employee Termination Benefits and Vacation Pay

Employees of the Corporation are entitled to specified benefits on termination as provided under labour contracts and conditions of employment. The liability for these benefits is recorded in the accounts as the benefits accrue to the employees under the respective terms of employment.

Termination benefits and vacation pay are calculated at salary levels in effect at the end of the year for all termination and vacation pay benefits accruing to employees.

(f) Services without charge

The Corporation does not record in the financial statements the value of the following services it receives without charge:

—Volunteer and other services donated by individuals and corporate entities. (The reader should be aware of disclosures concerning Volunteer services in the Programme activity results section of the Financial Analysis); and,

—Auditing services from the Office of the Auditor General.

Building space occupied by the Corporation was a service without charge up to and including 1993-94. During the year, Treasury Board approved the transfer of the administration of Crown property and leasehold interests from the Government of Canada to the Corporation, retroactive to April 1, 1994. The Corporation has recorded in the financial statements the operating and maintenance expenses of buildings occupied by the Corporation along with the related parliamentary appropriation received (Note 13a).

(g) Parliamentary Appropriation

Parliamentary appropriation for operating expenses are included as income. Parliamentary appropriation to acquire capital assets are credited to Equity of Canada.

(h) Contributions Revenue Recognition

The Corporation receives gifts and bequests from individuals and corporate entities. These funds are to be used for the purposes for which they were donated.

Restricted cash contributions and interest are recognized as revenue in the year in which the related expenses are incurred.

CANADIAN MUSEUM OF NATURE—*Continued*

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 1995—*Continued*

3. Cash and short-term investments

Cash and short-term investments include a net amount of $5.6 million relating to the transfer of administration of Crown property and leasehold interests from the Government of Canada to the Corporation for 1994-95. The $5.6 million is offset by a corresponding liability to Public Works and Government Services Canada for the provision of real property management services retroactive to April 1, 1994 (note 13a).

4. Restricted cash and short-term investments

Restricted cash and short-term investments accounts include contributions received from individuals and corporate entities, by way of bequest, gift or donation and may be specific as to purpose. Restricted cash accounts are managed in accordance with the donor's wishes and are invested in accordance with investment policies of the Corporation. Restricted cash and short-term investments also include parliamentary appropriation received during the year that is restricted for the VMMB stonework project.

Restricted cash accounts are comprised of:

	1995	1994
	(in thousands of dollars)	
Restricted research cash	379	354
Restricted programming cash	1,689	1,180
Systematic entomology endowment fund (Note 5)	310	316
Stonework project (Note 9)	2,864	
	5,242	1,850

5. Endowment Fund

The Corporation maintains an endowment in the principal amount of $250,000 received from Anne and Henry Howden, which included a significant entomological collection. The endowment was established to enable professional studies and research of entomological collections for the Museum.

The principal of the Systematic Entomological Endowment Fund cannot be expended. Accumulated interest earned from the endowment may be expended for specified purposes and the residual balance totalled $60,000 at March 31, 1995, which are included in deferred revenues (Note 8).

In the event that the Corporation decides not to maintain entomological collections, the Systematic Entomology Endowment Fund shall be transferred, along with any entomological collections, to the Royal Ontario Museum.

6. Collections

The Canadian Museum of Nature holds and preserves invaluable collections of natural history specimens for the benefit of Canadians, present and future. The collections form the largest part of the assets of the Corporation.

The natural history collections consist of over 8 million specimens, and include exceptional scientific resources. The natural history collections are accessible to all Canadians for research, exhibits, and education.

The collections are divided into four discipline-related groups, being:

—The earth sciences collection (minerals, rocks, gems, fossils);

—The vertebrates collection (mammals, fish, birds, reptiles, amphibians);

—The invertebrates collection (molluscs, insects, crustaceans, parasites, worms, others), and;

—The botany collection (algae, vascular plants, mosses, lichens).

The stewardship policies for the natural history collections, including specimen acquisitions, are the responsibility of the museum's collection division. These activities are monitored to the Collection Advisory and Development Committees, which set priorities for the care of collection material based upon both classical and innovative collection risk assessment methodologies. The museum continues to develop new and innovative approaches to collection management and conservation practices through involvement with international affiliations.

7. Capital assets

	1995			1994
	Cost	Accumulated amortization	Net book value	Net book value
	(in thousands of dollars)			
Research equipment	1,306	1,296	10	136
Technical equipment	1,389	978	411	544
Furnishings and office equipment	950	726	224	295
Computer equipment	3,080	2,322	758	918
Leasehold improvements	1,527	933	594	656
Motor vehicles	114	114		
Land (Note 13)	840		840	
	9,206	6,369	2,837	2,549

8. Deferred revenues

Deferred revenues include receipts from operations and contributions of gifts and bequests which have not yet been earned and relate to future period activities. Contributions revenues are recognized when corresponding expenses are incurred.

Changes in the deferred revenues balance are as follows:

	1995	1994
	(in thousands of dollars)	
Beginning balance, deferred revenue	1,621	1,631
Less amount recognized as contributions	(162)	(564)
Add amount received relative to future years	3,588	554
Ending balance	5,047	1,621

CANADIAN MUSEUM OF NATURE—*Continued*

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 1995—*Continued*

Deferred revenues are comprised as follows:

	1995	1994
	(in thousands of dollars)	
Short-term:		
Deferred revenue—Stonework parliamentary appropriation	2,864	
Long-term:		
Restricted research cash (Note 4)	379	354
Restricted programming cash (Note 4)	1,689	1,180
Restricted endowment fund interest (Note 5)	60	66
Other deferred revenues	55	21
	2,183	1,621
Total deferred revenues	5,047	1,621

9. Parliamentary Appropriation

	1995	1994
	(in thousands of dollars)	
Department of Canadian Heritage	27,237	18,822
Severance cost reimbursement		732
Separation cost reimbursement		198
Due to Canada—Deemed repayment	200	
Total recognized	27,437	19,752
Total appropriation has been applied as follows:		
Operating expenses	23,817	18,938
Capital acquisitions	756	814
Deferred revenue—Stonework project (Note 8)	2,864	
Total applied	27,437	19,752

10. Commercial operations

Commercial operations income is comprised as follows:

	1995	1994
	(in thousands of dollars)	
Publishing and boutique revenue	407	410
Cost of goods sold	(296)	(284)
Publishing and boutique gross profit	111	126
Publishing royalties	179	112
Admission fees	448	420
Parking	242	227
Rental of facilities	133	133
Total commercial operations income	1,113	1,018

11. Related party transactions

In addition to those related party transactions disclosed elsewhere in these financial statements, the Corporation is related in terms of common ownership to all Government of Canada created departments, agencies and Crown corporations. The Corporation enters into transactions with these entities in the normal course of business.

12. Contingencies

As a result of layoffs during previous years, claims relating to severance payments are pending against the Corporation in respect to the application of Work Force Adjustment Policy. The assessment of these claims is not determinable and the outcome is unknown at this time. Consequently, these claims are not recorded in the financial statements. The effect, in any, of the ultimate resolution of these matters wil be accounted for as a period cost when known.

13. Significant events

(a) Custody transfer of real property

During the year, Treasury Board approved the transfer in perpetuity of the administration of Crown property and leasehold interests from Public Works and Government Services Canada to the Corporation. The agreement, which is retroactive to April 1, 1994, provided for the transfer of approximately $9.2 million in parliamentary pappropriations during 1994-95 to operate and maintain the existing 13 corporate facilities and to undertake a stonework project at the Victoria Memorial Museum Building. The full effect of these transactions have been reflected in the financial statements.

As part of the transfer, the Corporation also received a vacant parcel of land comprising 17.2 hectares in Aylmer, Quebec with a fair market value of $840,000. The site is to be used to construct a consolidated facility to house the Canadian Museum of Nature natural history collections and administration functions.

(b) Capital lease approval

During the year, the Corporation received approval from Treasury Board, pending approval from the Department of Finance, to enter into a capital lease arrangement as a deemed borrowing, for a period of approximately 35 years, for the construction of a consolidated facility to house the natural history collections, artifacts, and specimens and to function as an administrative building for the museum.

Design, development, and preparation costs arising from the consolidation project are the responsibility of the private developer of the consolidated facility.

The Corporation plans to enter into the capital lease upon substantial completion of the consolidated facility during 1996-97. Capital lease payments will be made from the custody transfer parliamentary appropriation for real property leases and will be accounted for in accordance with generally accepted accounting principles concerning capital leases.

CANADIAN MUSEUM OF NATURE—*Concluded*

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 1995—*Concluded*

14. Contractual commitments

The Corporation has entered into agreements for the provision of services and equipment. The payments under these agreements are approximately as follows:

	1996	1997 and subsequent years
	(in thousands of dollars)	
Real property lease and maintenance costs	4,432	1,567
VMMB stonework project costs	4,980	3,483
Other commitments	623	1,008
	10,035	6,058

15. Items not requiring current operating funds

Items included in the Statement of Income and Expense not requiring current operating funds:

	1995	1994
	(in thousands of dollars)	
Amortization of capital assets	1,306	1,200
Employee termination benefits	4	(267)
Loss on disposl of capital assets	3	
Net items not requiring current operating funds	1,313	933

16. COMPARATIVE FIGURES

The 1994 comparative figures have been reclassified to conform to the 1995 statement presentation.

CANADIAN NATIONAL RAILWAY SYSTEM

MANAGEMENT REPORT

The accompanying consolidated financial statements of Canadian National Railway System and all information in this annual report are the responsibility of management and have been approved by the board of directors.

The financial statements have been prepared by management in conformity with Canadian generally accepted accounting principles. These statements include some amounts that are based on best estimates and judgments. Financial information used elsewhere in the annual report is consistent with that in the financial statements.

Management of the Company, in furtherance of the integrity and objectivity of data in the financial statements, has developed and maintains a system of internal accounting controls and supports an extensive program of internal audits. Management believes that this system of internal accounting controls provides reasonable assurance that financial records are reliable and form a proper basis for preparation of financial statements and that assets are properly accounted for and safeguarded.

The board of directors carries out its responsibility for the financial statements in this report principally through its audit committee, consisting solely of outside directors. The audit committee reviews the Company's annual consolidated financial statements and recommends their approval by the board of directors. Also, the audit committee meets regularly with the Chief-Internal Audit and with the Shareholder's Auditors, appointed by the Government of Canada.

These consolidated financial statements have been audited by the Shareholder's Auditors, Raymond, Chabot, Martin, Paré, General Partnership and Poissant Thibault—Peat Marwick Thorne, whose report is presented here.

Yvon H. Masse
Executive Vice-President and Chief Financial Officer

AUDITORS' REPORT

TO THE MINISTER OF TRANSPORT

We have audited the consolidated balance sheets of Canadian National Railway System as at December 31, 1994 and 1993 and the consolidated statements of income, retained earnings and changes in financial position for each of the years in the three-year period ended December 31, 1994. These financial statements are the responsibility of the System's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the System as at December 31, 1994 and 1993 and the results of its operations and the changes in its financial position for each of the years in the three-year period ended December 31, 1994 in accordance with generally accepted accounting principles.

Raymond, Chabot, Martin, Paré
General Partnership
Chartered Accountants

Poissant Thibault—Peat Marwick Thorne
Chartered Accountants

Montreal, Canada
February 28, 1995

CANADIAN NATIONAL RAILWAY SYSTEM—*Continued*

CONSOLIDATED BALANCE SHEET
DECEMBER 31
(in millions of dollars)

ASSETS	1994	1993
Current assets		
Cash and short-term deposits	241	
Accounts receivable	495	441
Inventories	254	246
Other	330	259
	1,320	946
Investments	138	130
Properties	6,177	5,906
Other assets and deferred charges	174	124
Total assets	7,809	7,106

LIABILITIES AND SHAREHOLDER'S EQUITY	1994	1993
Current liabilities		
Bank indebtedness		82
Accounts payable and accrued charges	1,037	911
Current portion of long-term debt	50	146
Other	294	278
	1,381	1,417
Other liabilities and deferred credits	1,133	1,320
Long-term debt	2,363	1,953
Auction preferred stock of a subsidiary	271	
Minority interest in subsidiaries	4	4
SHAREHOLDER'S EQUITY		
Capital stock	2,279	2,279
Retained earnings	378	133
	2,657	2,412
Total liabilities and shareholder's equity	7,809	7,106

See accompanying notes to consolidated financial statements.

On behalf of the board:

DAVID G.A. McLEAN
Director

PAUL M. TELLIER
Director

CANADIAN NATIONAL RAILWAY SYSTEM—*Continued*

CONSOLIDATED STATEMENT OF INCOME
YEAR ENDED DECEMBER 31
(in millions of dollars)

	1994	1993	1992
CN North America			
Canadian Rail Operations			
Revenues	3,703	3,433	3,473
Expenses	3,281	3,301	4,150
Operating income (loss)	422	132	(677)
Interest expense	(191)	(193)	(196)
Other income (expense)	43	4	(21)
Income (loss)	274	(57)	(894)
U.S. Rail Operations			
Revenues	536	481	392
Expenses	539	491	547
Operating loss	(3)	(10)	(155)
Interest expense	(6)	(4)	(4)
Other income (expense)	6	(4)	(2)
Loss	(3)	(18)	(161)
Total Income (loss) CN North America	271	(75)	(1,055)
Enterprises Group			
CN Real Estate			
Revenues	85	64	61
Expenses	65	46	41
Income	20	18	20
AMF Technotransport			
Revenues	124	48	
Expenses	160	55	
Loss	(36)	(7)	
CANAC International			
Revenues	150	89	66
Expenses	153	92	64
Income (loss)	(3)	(3)	2
CN Tower			
Revenues	31	28	24
Expenses	26	24	21
Income	5	4	3
Other			
Income (loss)	(1)	1	10
Total Income (loss) Enterprises Group	(15)	13	35
Income (loss) from continuing operations before income taxes	256	(62)	(1,020)
Income tax (expense) recovery on continuing operations	(12)	(13)	13
Income (loss) from continuing operations	244	(75)	(1,007)
Income (loss) from discontinued operations	1	(4)	2
Net Income (loss)	245	(79)	(1,005)

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF RETAINED EARNINGS
YEAR ENDED DECEMBER 31
(in millions of dollars)

	1994	1993	1992
Balance, beginning of year	133	212	1,252
Net income (loss)	245	(79)	(1,005)
Dividend			(35)
Balance, end of year	378	133	212

See accompanying notes to consolidated financial statements.

CANADIAN NATIONAL RAILWAY SYSTEM—*Continued*

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION
YEAR ENDED DECEMBER 31
(in millions of dollars)

	1994	1993	1992
Operating Activities			
Income (loss) from continuing operations	244	(75)	(1,007)
Non-cash items in income (loss) from continuing operations			
Depreciation and amortization	260	257	271
Provision for workforce reduction			887
Adoption of a new accounting policy for post-retirement benefits other than pensions			64
Income of equity investees less dividends	(14)	(13)	(2)
Deferred income taxes			(26)
Write-down of properties		16	
Gain (loss) on disposal of unconsolidated affiliate		2	(8)
Changes in current assets and liabilities			
Accounts receivable	(54)	32	(2)
Inventories	(8)	16	(1)
Other current assets	(71)	13	(40)
Accounts payable and accrued charges	126	69	(149)
Other current liabilities	16	(34)	68
Other	(204)	(39)	239
Cash provided from continuing operations	295	244	294
Cash provided from discontinued operations	12	9	12
	307	253	306
Investing Activities			
Additions to properties	(574)	(438)	(334)
Net proceeds from disposal of properties	32	41	11
Investments in unconsolidated affiliates		1	(2)
Advances from unconsolidated affiliates	6	10	5
Proceeds from sale of unconsolidated affiliates		1	11
Repayment of advances by unconsolidated affiliates		3	4
	(536)	(382)	(305)
Dividends paid to shareholder			(78)
Cash used before financing activities	(229)	(129)	(77)
Financing Activities			
Issuance of long-term debt	444	554	371
Reduction of long-term debt	(163)	(342)	(430)
Issuance of auction preferred stock	271		
	552	212	(59)
Net increase (decrease) in cash and short-term deposits	323	83	(136)
Bank indebtedness, beginning of year	(82)	(165)	(29)
Cash and short-term deposits (bank indebtedness), end of year	241	(82)	(165)

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of significant accounting policies

Introduction

All references in these Notes to the "Company" refer to Canadian National Railway Company which is wholly-owned by the Government of Canada and, unless the context otherwise requires, its consolidated subsidiaries, and all references to the "System" mean Canadian National Railway Company and its consolidated subsidiaries together with the lines of railway and other property entrusted by the Government of Canada to the Company for management and operation.

(a) Principles of Consolidation

The consolidated financial statements include the accounts of all significant subsidiaries and, consistent with the legislation governing the System, the accounts of the Canadian Government Railways entrusted to the Company by the Government of Canada.

Investments in entities in which the Company has less than a majority interest are accounted for by the equity method, where appropriate.

(b) Revenues

Transportation: Revenues are generally recognized on completion of movements, with interline movements being treated as complete when the shipment is turned over to the connecting carrier. Costs associated with movements not completed are deferred.

Real estate: Rental revenues are recognized as earned. Revenues from sale of properties are recognized on completion of the sale. The share of income from joint ventures is recognized on an equity basis and included in Expenses.

(c) Reporting by Segment

In presenting the results by segment, intersegment charges for services have not been eliminated. Consolidated net income is not affected by this practice.

(d) Foreign Exchange

The Company's foreign operations are classified as integrated and are translated and accounted for on the following bases. Current assets (excluding inventories), current liabilities and long-term debt are translated at the rates in effect at the balance sheet date, whereas all other assets and liabilities are translated at historical rates. Revenues and expenses are translated at average rates during the year except for depreciation which is translated at exchange rates prevailing when the related properties were acquired.

CANADIAN NATIONAL RAILWAY SYSTEM—*Continued*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—*Continued*

The Company's own foreign denominated assets and liabilities are accorded similar treatment. Revenues and expenses are translated at rates prevailing at the time of the transactions except for revenues designated as a hedge against repayment of foreign denominated long-term debt which are translated at the rate in effect at the inception of the debt. Currency gains and losses are reflected in net income for the year, except for unrealized foreign currency gains and losses on long-term debt. The Company has designated future U.S. dollar revenue streams as a hedge against the repayment of most of its long-term debt denominated in U.S. dollars, and has thus deferred reflecting the related unrealized foreign currency translation gains and losses in net income until the earlier of the debt repayment or the expiry of the hedge. Unrealized foreign currency gains and losses related to long-term debt denominated in U.S. dollars not covered by the hedge are deferred and amortized over the remaining life of the debt. Such deferred amounts are included in the Consolidated Balance Sheet as part of Other Assets and Deferred Charges.

(e) Inventories

Inventories consist mainly of material and supplies which are valued at laid down cost based on weighted average cost for ties and rails, latest invoice price for fuel and net materials in stores, and at estimated utility or sales value for usable second hand, obsolete and scrap materials.

(f) Properties

Accounting for railway properties is carried out in accordance with rules issued by the National Transportation Agency of Canada (Canadian properties) and the Interstate Commerce Commission (United States properties). Generally, major additions and replacements are capitalized and interest costs are charged to expense.

Cost of depreciable railway assets retired or disposed of, less salvage value, is charged to accumulated depreciation, in accordance with the group plan of depreciation. Other depreciable assets retired or disposed of are accounted for in accordance with the unit plan whereby gains or losses are taken into income as they occur.

The Company follows the successful efforts method of accounting for its oil and gas operations whereby the acquisition costs of oil and gas properties, the costs of successful exploratory wells and the costs of drilling and equipping development wells are capitalized.

CN Real Estate's income producing properties are stated at cost. Properties under development and properties held for development or resale are stated at the lower cost and net realizable value. Carrying costs of properties under development are capitalized. Such costs include real estate taxes, insurance, interest and other expenses directly related to the development activity.

(g) Depreciation

Depreciation is calculated on a straight-line basis at rates sufficient to allocate the cost of properties over their estimated useful lives. For railway properties, depreciation rates are authorized by the National Transportation Agency of Canada and the Interstate Commerce Commission. The rates for significant classes of assets are as follows:

Asset class	Annual rate
Ties	2.71% - 2.73%
Rails	1.93%
Other track material	2.40% - 3.32%
Ballast	3.27%
Road locomotives	3.51% - 4.30%
Freight cars	0.63% - 3.15%

Acquisition costs of oil and gas properties are amortized on a straight-line basis over the term of the lease until such time as the properties are determined to be productive or judged to be impaired. Acquisition costs of productive properties and costs of successful exploratory drilling and of drilling and equipping development wells are charged against income on the unit-of-production method based upon proven reserves of oil and gas. Exploratory dry hole and acquisition costs judged to be impaired are charged against income in the current period. Other exploratory expenditures are charged against income as incurred.

CN Real Estate assets are depreciated using the straight-line method calculated over the estimated economic life of the asset.

(h) Pensions

Pension costs are determined periodically by independent actuaries. Pension expense is charged annually to operations and comprises the total of:

— The cost of pension benefits provided in exchange for employees' services rendered during the year and

— The amortization of past service costs over the expected average remaining service life of the employee group covered by the plans.

The pension plans are funded through contributions determined in accordance with the accrued benefit actuarial cost method.

(i) Post-Retirement Benefits Other Than Pensions

In 1992, the Company adopted prospectively the policy of accruing the costs of post-retirement benefits other than pensions, which include life insurance programs, medical benefits and supplemental pension allowances not covered in the Company's principal pension plans. Free rail travel benefits are accrued beginning in 1993.

(j) Environmental Expenditures

Environmental expenditures that relate to current operations are expensed or capitalized as appropriate. Expenditures that relate to an existing condition caused by past operations, and which do not contribute to current or future revenue generation, are expensed. Liabilities are recorded when environmental assessments and/or remedial efforts are likely, and when the costs, based on a specific plan of action in terms of the technology to be used and the extent of the corrective action required to meet its environmental policy, can be reasonably estimated.

CANADIAN NATIONAL RAILWAY SYSTEM—*Continued*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—*Continued*

2. Discontinued Operations

During the year, the Company entered into negotiations to dispose of its oil and gas assets in CN Exploration. The results of these operations have been reclassified as discontinued operations as at the end of 1994.

3. Special Charges

(a) Special Workforce Reduction Charge

As at December 31, 1992, a provision of $921 million in respect of a program to improve productivity through workforce reductions was reflected in the financial statements. The provision includes elements of cost in Canada and the United States relating to severance payments, early retirement incentives, bridging to early retirement, relocations and foreign exchange. Of the total provision, $887 million was charged to 1992 operations and $34 million relates to prior years. The current portion of the provision is included in the Consolidated Balance Sheet as part of Accounts payable and accrued charges and the balance as part of Other Liabilities and Deferred Credits.

(b) Post-Retirement Benefits Other Than Pensions

In 1992, the adoption of a new accounting policy for post-retirement benefits other than pensions resulted in the Company's recording a charge to operations of $64 million. In 1993, a charge of $33 million was made representing an accrual for free rail travel benefits. The current portion of the provision giving rise to these charges is included in the Consolidated Balance Sheet as part of Accounts payable and accrued charges and the balance as part of Other Liabilities and Deferred Credits.

4. Subsidies

Revenues include the following subsidies received from the Government of Canada:

	Year ended December 31		
	1994	1993	1992
	(in millions of dollars)		
(a) Payments under the *Railway Act* paid under authority of that Act and the related *Appropriation Act* in respect of certain uneconomic operations, services and prescribed rates which railways are required by the *Railway Act* to maintain	9	8	11
(b) *Maritime Freight Rates Act* and *Atlantic Region Freight Assistance Act* subsidies	15	17	15
Total	24	25	26

5. Rail Expenses

	Year ended December 31		
	1994	1993	1992
	(in millions of dollars)		
Canadian Rail Operations:			
Railway operations	1,167	1,105	1,136
Way and structures	446	485	470
Equipment	457	480	447
Depreciation and amortization	239	236	252
General and administrative	648	685	1,512
Other	324	310	333
	3,281	3,301	4,150
U.S. Rail Operations			
Railway operations	201	188	157
Way and structures	65	57	53
Equipment	47	49	45
Depreciation and amortization	14	15	14
General and administrative	49	44	169
Other	163	138	109
	539	491	547
Total	3,820	3,792	4,697

The general and administrative expenses for Canadian and U.S. Rail Operations include special charges relating to workforce reductions and post-retirement benefits other than pensions. Excluding these charges, the comparative numbers are as follows:

	Year ended December 31		
	1994	1993	1992
	(in millions of dollars)		
Canadian Rail Operations	648	644	682
U.S. Rail Operations	49	44	48

6. System Interest Expense—Net

	Year ended December 31		
	1994	1993	1992
	(in millions of dollars)		
Interest on long-term debt	214	198	195
Interest on short-term borrowings	1	6	6
Interest income	(17)	(5)	(1)
Total	198	199	200

CANADIAN NATIONAL RAILWAY SYSTEM—*Continued*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—*Continued*

7. Segmented Information

(a) Geographic Areas

Virtually all of the System's operations and assets are within Canada with the exception of U.S. Rail Operations.

(b) International Traffic

In addition to the revenue generated by U.S. Rail Operations, the System derives revenue from traffic originating or terminating on railroads in the United States. In 1994, such revenues approximated $765 million (1993—$709 million, 1992—$666 million).

(c) Additional information on segments:

	Year ended December 31 1994	1993	1992
	(in millions of dollars)		
Revenues			
CN North America			
Canadian Rail Operations	3,703	3,433	3,473
U.S. Rail Operations	536	481	392
Enterprises group			
CN Real Estate	85	64	61
AMF Technotransport (d)	124	48	
CANAC International	150	89	66
CN Tower	31	28	24
Other	5	4	4
	4,634	4,147	4,020
Discontinued Operations			
CN Exploration	36	35	36
	4,670	4,182	4,056
Depreciation and Amortization			
CN North America			
Canadian Rail Operations	239	236	252
U.S. Rail Operations	14	15	14
Enterprises Group			
CN Real Estate	4	3	3
AMF Technotransport (d)	1	1	
CN Tower	2	2	2
	260	257	271
Discontinued Operations			
CN Exploration	11	13	10
	271	270	281

	Year ended December 31 1994	1993	1992
	(in millions of dollars)		
Capital Expenditures*			
CN North America			
Canadian Rail Operations	491	397	282
U.S. Rail Operations	35	12	22
Enterprises Group			
CN Real Estate	31	11	18
AMF Technotransport (d)	4	1	
CN Tower	5	3	2
	566	424	324
Discontinued Operations			
CN Exploration	8	14	10
	574	438	334
Identifiable Assets			
CN North America			
Canadian Rail Operations	6,482	6,076	6,120
U.S. Rail Operations	816	544	541
Enterprises Group			
CN Real Estate	267	239	235
AMF Technotransport (d)	76	86	
CANAC International	35	30	27
CN Tower	62	58	56
Other	4	4	4
	7,742	7,037	6,983
Discontinued Operations			
CN Exploration	67	69	70
	7,809	7,106	7,053

* Represents additions to properties.

(d) AMF Technotransport

AMF was formed as a division of Canadian Rail Operations on January 1, 1992 to manufacture and remanufacture transportation equipment. Effective September 1, 1993, the operations previously performed by the AMF Division of Canadian Rail Operations, were transferred to a new separate legal entity, AMF Technotransport Inc. The information shown in the Consolidated Statement of Income relates to 1994 and the initial four months of operations ended December 31, 1993. The results of operations previously performed by the AMF Division and included in Canadian Rail Operations expenses, were revenues of $84 million and a $19 million loss for the eight months ended August 31, 1993 (for the year ended December 31, 1992—$103 million revenues and $11 million income). These figures exclude losses on contracts entered into prior to January 1, 1992, since full responsibility for such loss es was assumed by the Canadian Rail Operations.

At December 31, 1992, identifiable assets belonging to AMF Division and included in Canadian Rail Operations assets were $82 million. Depreciation for the Division included in Canadian Rail Operations expenses was $1 million for the eight months ended August 31, 1993 (for the year ended December 31, 1992—$1 million).

CANADIAN NATIONAL RAILWAY SYSTEM—*Continued*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—*Continued*

8. Income Taxes

(a) The Company's income tax (expense) recovery on continuing operations is made up as follows:

	Year ended December 31 1994	1993	1992
	(in millions of dollars)		
Income tax (expense) recovery on income from continuing operations based on combined basic Canadian federal and provincial tax rate for 1994 of 41.7 percent (1993—41.7 percent; 1992—41.6 percent)	(107)	28	423
(Increase) decrease in taxes resulting from:			
Gain on sales of land	3	4	4
Federal large corporations tax	(11)	(12)	(13)
Other	(8)	(5)	(5)
Timing differences not previously recognized	111		
Tax benefits not recognized		(28)	(397)
Total	(12)	(13)	12
Income tax (expense) recovery is represented by:			
Current	(12)	(13)	(13)
Deferred (b)			26
	(12)	(13)	13

(b) Deferred income taxes resulted primarily from the difference between capital cost allowance claimed for income tax and depreciation recorded for accounting purposes.

(c) The Company has timing differences of approximately $850 million for which benefits have not been recognized in the financial statements. These benefits are available to reduce taxable income of future years.

(d) Investment tax credits are also available to reduce future income taxes otherwise payable until the related year of expiry as follows:

Year	(in millions of dollars)
1995	30
1996	19
1997	14
1998	9
1999	2
2000	1
2001-2004	4

CANADIAN NATIONAL RAILWAY SYSTEM—*Continued*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—*Continued*

9. Investments

	Percentage of voting interest	December 31 1994	1993
	%	(in millions of dollars)	
Entities accounted for by equity method:			
CNCP Niagara-Detroit Partnership	50	17	21
The Toronto Terminals Railway Company	50	11	11
Others		59	46
		87	78
Other investments at cost less provisions for impairment where applicable		51	52
Total		138	130

10. Properties

	December 31, 1994 Cost	Accumulated depreciation	Net	December 31, 1993 Cost	Accumulated depreciation	Net
			(in millions of dollars)			
CN North America						
Canadian Rail Operations						
Track and Roadway	6,136	2,218	3,918	5,890	2,128	3,762
Buildings	716	357	359	706	335	371
Rolling Stock	1,798	849	949	1,686	798	888
Other	704	473	231	658	454	204
	9,354	3,897	5,457	8,940	3,715	5,225
U.S. Rail Operations	561	173	388	546	171	375
Total CN North America (a)	9,915	4,070	5,845	9,486	3,886	5,600
Enterprises Group						
CN Real Estate	228	34	194	203	30	173
AMF Technotransport	52	34	18	47	33	14
CN Tower	83	22	61	77	21	56
Other	2	2		3	2	1
Total Enterprises Group	365	92	273	330	86	244
Discontinued Operations						
CN Exploration	164	105	59	156	94	62
Total	10,444	4,267	6,177	9,972	4,066	5,906
Amounts included above with respect to Canadian Government Railways entrusted to the Company by the Government of Canada (b)	1,058	693	365	1,045	661	384

(a) At December 31, 1994 the gross value of assets under capital leases included above was $132 million (1993—$103 million) and related accumulated amortization amounted to $37 million (1993—$32 million).

(b) By Order in Council P.C. 1993-1603 dated July 22, 1993, the Governor in Council authorized the de-entrustment and conveyance to the Company of the railways and title to related lands and facilities forming the Canadian Government Railways. In consideration, the Company assumed certain obligations related to the lands and facilities transferred. In addition, the Company is compensating the Government of Canada for its financial obligations related to the Intercolonial and P.E.I. Railway Employees Provident Fund. The de-entrustment and conveyance process is expected to be completed by December 31, 1998.

CANADIAN NATIONAL RAILWAY SYSTEM—*Continued*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—*Continued*

11. Other liabilities and deferred credits

	December 31 1994	December 31 1993
	(in millions of dollars)	
Special workforce reduction	562	764
Personal injury liability	117	117
Accrual for post-retirement benefits other than pensions	119	112
Deferred credits	335	327
Total	1,133	1,320

12. Long-term debt

	Maturity	Currency in which payable	December 31 1994	December 31 1993
			(in millions of dollars)	
Bonds, Debentures and Notes				
Canadian National Series				
9 7/8 percent 8 Year Notes	Mar. 18, 1994	C$		100
6 1/2 percent 10 Year Japanese Yen Notes (a)	Mar. 26, 1996	C$	70	70
9 3/8 percent 10 Year Notes	Oct. 1, 1996	C$	100	100
8 1/4 percent 5 Year Notes	July 21, 1997	C$	200	200
7 1/2 percent 5 Year Notes	May 19, 1998	C$	150	150
10 percent 7 Year Notes	Oct. 23, 1998	C$	150	150
9 5/8 percent 7 Year Notes	May 14, 1999	C$	150	150
5 3/8 percent 15 Year Swiss Franc Bonds (b)	Aug. 22, 2000	C$	99	99
8 7/8 percent 15 Year Notes	May 21, 2001	C$	150	150
8 3/8 percent 25 Year Sinking Fund Debentures	July 1, 2002	US$	32	44
6 5/8 percent 10 Year Notes	May 15, 2003	US$	190	190
7 percent 10 Year Notes	Mar. 15, 2003	US$	412	
13 percent 20 Year Sinking Fund Debentures	Nov. 15, 2004	C$	74	77
12 1/4 percent 20 Year Sinking Fund Debentures	May 1, 2005	C$	108	112
7 5/8 percent 30 Year Debentures	May 15, 2023	US$	190	190
Buffalo and Lake Huron Series:				
5 1/2 percent 1st Mortgage Bonds	Perpetual	ú	1	1
5 1/2 percent 2nd Mortgage Bonds	Perpetual	ú	1	1
Total Bonds, Debentures and Notes			2,077	1,784
Government of Canada Loan (c)			81	100
Other				
Amounts owing under equipment purchase agreements (d)		Various	97	105
Capital lease obligations (e)		Various	98	81
Adjustment to current exchange rate (see Note 1 (d))			61	26
Total Other			256	212
			2,414	2,096
Less				
Current portion of long-term debt		Various	50	146
Net unamortized (premium) discount and other		Various	1	(3)
			51	143
Total			2,363	1,953

CANADIAN NATIONAL RAILWAY SYSTEM—*Continued*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—*Continued*

(a) The Company borrowed $70 million at an all-inclusive cost of 10 1/4 percent by means of a Euro-yen public note issue and a currency swap.

(b) The Company borrowed $99 million at an all-inclusive cost of 11.17 percent by means of a public bond issue in Switzerland and a currency swap.

(c) The Government of Canada loan bears interest at 8 3/4 percent per annum and is payable in equal semi-annual installments of $14 million covering principal and interest to June 30, 1998.

(d) Secured by rolling stock and payable by semi-annual or quarterly installments over various periods to 2003 at interest rates ranging from 6 percent to 13 3/4 percent. At December 31, 1994, the principal amounts are payable as U.S. $28 million and Canadian $60 million (1993—U.S. $32 million, Canadian $64 million).

(e) Interest rates for these leases range from approximately 7 percent to 17 1/2 percent with expiry dates in the years 1995 through 2004. The imputed interest on these leases amounts to $49 million (1993—$49 million).

(f) Principal repayments, including sinking fund repayments, repurchase arrangements and capital lease repayments, on debt outstanding at December 31, 1994, are as follows:

Year ending December 31	(in millions of dollars)
1995	50
1996	222
1997	256
1998	345
1999	185
2000 and thereafter	1,351

13. Auction Preferred Stock

On March 3, 1994, GT Finance Company (GTFC), a wholly-owned U.S. subsidiary company, issued 2,000 shares of Auction Preferred Stock (Preferred Stock) resulting in net proceeds to GTFC of approximately U.S. $197 million (Canadian $271 million). The preferred stock was issued in four series of 500 shares each (Series A, B, C, and D), have a liquidation preference of U.S. $100,000 per share and pay cumulative dividends at a rate based on separate auctions for each series. Dividends, which were at an average rate for all series of 3.7 percent during 1994, are accounted for as interest expense.

The Preferred Stock is subject to mandatory redemption if certain financial ratios of GTFC are not met. GTFC also has an option to redeem shares of any series, as a whole or in part, provided certain conditions are met. In the event that GTFC fails to perform its payment obligations under the terms of the Prefered Stock, the Company has entered into guarantee agreements which, directly or indirectly, benefit holders of the Preferred Stock.

14. Shareholder's Equity

(a) Capital Stock

The capital stock of Canadian National Railway Company amounting to $2,279 million consists of 5,868,786 common shares of no par value authorized, issued and outstanding which are owned by the Government of Canada.

(b) Retained Earnings

The Company is required, under the *Financial Administration Act*, to submit a dividend proposal as part of its corporate plan. The Governor in Council may prescribe, waive or vary the dividend proposed. In 1994, the Company's corporate plan submitted to the shareholder proposed that no cash dividend be paid.

The dividends paid in 1992 included a special dividend and amounts based on income in earlier years, when a minimum dividend of 20 percent of net income was required.

15. Major Commitments and Contingencies

(a) Operating Leases

The Company's commitments as at December 31, 1994, under operating leases total $1,473 million, with annual net minimum payments in each of the five years following 1994 of:

Year	(in millions of dollars)
1995	180
1996	162
1997	170
1998	165
1999	148

(b) Other Commitments

The Company has commitments at December 31, 1994, for capital expenditures of $53 million for locomotives and cars, $26 million for rail, $25 million for railway ties, $3 million for automotive and intermodal equipment, and $15 million related to the St. Clair Tunnel Project.

(c) Contingencies

In the normal course of its operations, the Company becomes involved in various legal actions, including claims relating to injuries, damage to property and environmental matters. While the final outcome with respect to actions outstanding or pending at December 31, 1994 cannot be predicted with certainty, it is the opinion of management that their resolution will not have a material adverse effect on the System's financial position.

16. Pensions

The Company has retirement benefit plans covering substantially all its employees under which they are entitled to benefits at retirement age generally based on compensation and length of service and/or contributions.

The actuarial valuations as at December 31, 1993, revealed a consolidated actuarial liability of $7,774 million and a consolidated actuarial asset value of $7,436 million. It is estimated that those amounts could approximate $7,900 million and $7,500 million respectively as at December 31, 1994. Subsequent actuarial valuations will determine the actuarial values at that date.

	Year ended December 31 1994	1993	1992
	(in millions of dollars)		
Annual pension cost	96	104	105

CANADIAN NATIONAL RAILWAY SYSTEM—*Concluded*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—*Concluded*

17. Other Matters

(a) The Company carries on ordinary business transactions with various entities controlled by the Government of Canada on the same terms and conditions as current transactions with unrelated parties.

In addition, the Company provides, under contractual arrangements, rail transportation and maintenance services to the Government of Canada and to entities controlled by the latter. The revenue derived from such services rendered in 1994 aggregated \$78 million (1993—\$91 million, 1992—\$88 million).

(b) Following enactment of the *Western Grain Transportation Act*, which became effective on January 1, 1984, the Government of Canada, in order to minimize the cost to grain shippers, pays a portion of the cost of shipping grain. Amounts received from the Government of Canada under the *Western Grain Transportation Act* amounted to \$352 million in 1994 (1993—\$330 million, 1992—\$395 million), a reflection principally of the volume of grain handled.

18. Subsequent Event

(a) In the budget tabled in the House of Commons on February 27, 1995, the Minister of Finance of Canada announced that the Government will initiate steps this year to sell Canadian National.

(b) During February 1995, the company disposed of its oil and gas assets in CN Exploration and the assets of one of its subsidiaries, Central Vermont Railway, for a total consideration exceeding book value.

19. Reclassification of Comparative Figures

During 1994, changes were made to improve the classification of certain items and for comparative purposes the 1993 and 1992 figures have been reclassified.

CANADIAN SALTFISH CORPORATION

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The preparation and presentation of the financial statements is the responsibility of Canadian Saltfish Corporation's management. These financial statements have been prepared in accordance with generally accepted accounting principles, using management's best estimates and judgements that are considered appropriate to the Corporation's circumstances.

Management is responsible for the reliability and integrity of the financial statements including the notes to the statements and other financial information contained in the annual report. In addition, management is also responsible for maintaining books of account, information systems and systems of financial and management control. These managerial controls and procedures are intended to provide reasonable assurance that accurate financial information is available, that assets are safeguarded and controlled, that resources are managed efficiently, and that transactions are conducted in accordance with relevant legislation and the Corporation's by-laws.

The Auditor General of Canada, the independent auditor of the Corporation appointed under the *Financial Administration Act*, has audited the Corporation's financial statements in accordance with generally accepted auditing standards.

The financial statements have been approved by the President of the Corporation.

G. C. Viscount
President

AUDITOR'S REPORT

TO THE MINISTER OF FISHERIES AND OCEANS

I have audited the balance sheet of the Canadian Saltfish Corporation as at March 31, 1995 and the statements of operations, equity (deficit) and changes in financial position for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 1995 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles. As required by the *Financial Administration Act*, I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Corporation that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Saltfish Act* and the by-laws of the Corporation.

Wm. F. Radburn, FCA
Assistant Auditor General
for the Auditor General of Canada

Ottawa, Canada
May 3, 1995

CANADIAN SALTFISH CORPORATION—*Continued*

BALANCE SHEET AS AT MARCH 31, 1995

ASSETS	1995	1994
	$	$
Current		
Cash	55,417	377,840
Accounts receivable		
Trade		117,061
Other		216,919
Advances to producers		10,429
Inventory at the lower of cost or net realizable value		23,597
	55,417	745,846
Capital assets (Note 4)	243,834	325,220
	299,251	1,071,066

LIABILITIES	1995	1994
	$	$
Current		
Working capital loans from Canada (Note 5)		3,650,000
Accounts payable and accrued liabilities		124,173
Accrued employee termination benefits (Note 6)		298,056
		4,072,229
EQUITY (DEFICIT) OF CANADA		
Equity (deficit)	299,251	(3,001,163)
	299,251	1,071,066

Dissolution of Corporation (Note 2)

Approved:

G. C. VISCOUNT
President

CANADIAN SALTFISH CORPORATION—*Continued*

STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 1995

	1995	1994
	$	$
Income:		
Sales (net of freight and insurance)	41,726	882,726
Cost of goods sold	40,774	928,670
Gross profit (loss) on sales	952	(45,944)
Rental income	55,139	61,132
Interest income	13,360	45,892
Commission income		45,293
	68,499	152,317
	69,451	106,373
Expenses:		
Administrative	371,889	676,856
Interest	181,611	164,934
Selling	85,939	309,231
Amortization of capital assets	37,048	38,918
Bad debt expense (net of recoveries) (Note 7)	5,246	16,634
	681,733	1,206,573
Loss before gain on sale of capital assets	612,282	1,100,200
Gain on sale of capital assets	91,830	48,339
Net loss for the year	520,452	1,051,861

STATEMENT OF EQUITY (DEFICIT)
FOR THE YEAR ENDED MARCH 31, 1995

	1995	1994
	$	$
Deficit at beginning of the year	(3,001,163)	(1,949,302)
Forgiveness of working capital loans and accrued interest—Government of Canada (Note 5)	3,820,866	
Net loss for the year	(520,452)	(1,051,861)
Equity (deficit) at end of the year	299,251	(3,001,163)

STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED MARCH 31, 1995

	1995	1994
	$	$
Funds were provided by (used for):		
Investing activities		
Proceeds from disposal of capital assets	136,168	414,735
Financing activities		
Increase in working capital loans from Canada (net of debt forgiveness)		325,000
Operating activities		
Net loss for the year	(520,452)	(1,051,861)
Adjustments for non-cash items		
Loan interest forgiven	170,866	
Bad debts		30,000
Amortization	37,048	38,918
Employee termination benefit expense	37,205	171,954
Writedown of capital assets		8,337
Gain on sale of capital assets	(91,830)	(48,339)
	(367,163)	(850,991)
Decrease in other non cash working capital	243,833	790,832
Employee termination benefit payments	(335,261)	(260,639)
	(458,591)	(320,798)
Net funds (used) provided	(322,423)	418,937
Cash (bank indebtedness) at beginning of the year	377,840	(41,097)
Cash at end of the year	55,417	377,840

CANADIAN SALTFISH CORPORATION—*Continued*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1995

1. Authority, objectives and operations of the Corporation

The Canadian Saltfish Corporation was established by the *Saltfish Act* in 1970, to improve the earnings of the primary producers of cured codfish. The Corporation is an agent Crown corporation of Canada without share capital, named in Part I of Schedule III to the *Financial Administration Act* and is required to conduct its operations on a self-sustaining financial basis. The Corporation is dependent on the Government of Canada for working capital and capital asset loans and is not subject to income taxes.

Through agreements between the Government of Canada and the Provinces of Newfoundland and Quebec, the Corporation has the exclusive right to trade in and market cured codfish and its by-products in the Province of Newfoundland and the lower north shore of Quebec and is required to buy all cured codfish of an acceptable standard of quality offered for sale therein. The Corporation also has the authority to issue licenses for the purchase and/or export of saltfish.

On the Island of Newfoundland, the Corporation offers marketing services to those Island producers wishing to use the sales network of the Corporation. The Corporation receives a commission from producers using this service. Elsewhere, fish is purchased from fishermen, processed through the Corporation's facilities or by producers and subsequently marketed by the Corporation, primarily to foreign countries.

2. Dissolution of Corporation

Bill C-65 "An Act to reorganize and dissolve certain federal agencies" which has been introduced and is waiting final approval from Parliament, called for the dissolution of the Canadian Saltfish Corporation. These financial statements are prepared on the basis that the Corporation will be dissolved effective March 31, 1995.

The sections pertaining to the Corporation state that all rights and property held by or in the name of or in trust for the Corporation and all obligations and liabilities of the Corporation would revert to the Crown. The Government of Canada acting on behalf of the Crown will also take responsibility for any outstanding matters relating to deed, contracts or other documents executed by the Corporation prior to dissolution.

3. Significant accounting policies

Amortization

Amortization is calculated using the straight-line method and is based on the estimated useful lives of the assets as follows:

Buildings	20 years
Equipment	3 to 10 years
Furniture and fixtures	5 years

Foreign currency translation

Monetary assets and liabilities are translated at exchange rates in effect at the balance sheet date. Revenues and expenses are translated at the rate of exchange prevailing on the transaction date. The resulting foreign currency translation gains and losses are included in the results of operations.

Pension plan

Employees are covered by the Public Service Superannuation Plan administered by the Government of Canada. Contributions to the plan are required from both the employee and the Corporation. Contributions with respect to current services are expensed on a current basis. The Corporation is not required under present legislation to make contributions with respect to actuarial deficiencies of the Public Service Superannuation Account.

Employee termination benefits

Employees are entitled to specific benefits on termination as provided for under labour contracts and conditions of employment. The liability for these benefits is recorded in the accounts as the benefits accrue to the employees. Any additional termination benefits are expensed in the year the decision is made to reduce staff levels.

4. Capital assets

	1995			1994
	Cost	Accumulated amortization	Net book value	Net book value
	$	$	$	$
Land	77,274		77,274	77,274
Buildings	710,720	544,160	166,560	202,097
Equipment				41,619
Furniture and fixtures	2,379	2,379		4,230
	790,373	546,539	243,834	325,220

The above assets will be returned to the Crown and have been valued at the lower of their cost or estimated net realizable value.

5. Loans from Canada

Working capital loans are interest bearing (based upon current rates as set by the Bank of Canada) and are repayable within one year. Total loans outstanding from Canada and banks shall not exceed $50 million.

During 1994-95 the outstanding principal balance of the Corporation's working capital loans from Canada of $3,650,000 and interest owing up to $370,000 were forgiven through *Appropriation Act No. 4, 1994-95*.

Total forgiveness of working capital loans:

	$
Principal	3,650,000
Accrued Interest	170,866
	3,820,866

CANADIAN SALTFISH CORPORATION—*Concluded*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1995—*Concluded*

6. Termination benefits

Management's best estimate of $298,056 for the cost of employee termination benefits was accrued and charged to operations for the year ended March 31, 1994.

During the year ended March 31, 1995, the actual employee termination benefit cost became known. These were greater than the amount estimated by management as at March 31, 1994. The difference of $37,205 is treated as a salary expense charged to operations in 1995.

7. Bad debts

As at March 31, 1995, all outstanding accounts receivable were considered uncollectible and were written off. A bad debt expense of $5,246 was recognized for accounts not previously set up in the allowance for doubtful accounts (1993-94—$16,634).

8. Contingent liability

The Corporation has been cited in a litigation involving a former employee. No liability has been recorded as the outcome is unknown at this time.

9. Related party transactions

The Corporation has extended a contract with the Department of Fisheries and Oceans to lease an office building in St.John's, Newfoundland. This lease expires on December 31, 1994. During 1995, the Corporation earned rental revenue of $104,295 (1994—$139,060).

10. Comparative figures

Certain of the prior year's figures have been reclassified to conform to the current year's presentation.

THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED JULY 31, 1995
WERE NOT AVAILABLE AT DATE OF PRINTING

THE CANADIAN WHEAT BOARD—*Continued*

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The financial statements contained in this annual report have been prepared by management in accordance with generally accepted accounting principles appropriate in the circumstances and consistently applied. The integrity and objectivity of the data in these financial statements are management's responsibility. This responsibility includes exercising judgment in selecting appropriate accounting principles and in ensuring that pool results are derived appropriately and consistently. Management is responsible for ensuring that all information in the annual report is consistent with the financial statements.

Management relies upon the CWB's system of internal controls and formal policies and procedures to ensure the integrity and reliability of accounting and financial reporting. Management continually evaluates policies and procedures to ensure they meet the needs of the CWB and comply with current Canadian accounting standards. An internal audit group independently assesses the effectiveness of internal controls and recommends improvements.

Deloitte and Touche, Chartered Accountants, the CWB's auditors, have performed an independent examination of the financial statements in this report. Their examination was made in accordance with generally accepted auditing standards, and they have performed such tests and other procedures as they considered necessary. Management has made available to the external auditors all financial records and related data. The auditors' opinion on the fairness of the financial statements is included under the auditors' report.

The Canadian Wheat Board, which under the *Canadian Wheat Board Act* consists of not fewer than three, or more than five commissioners appointed by the Governor-in-Council for Canada, is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Commissioners, along with the Chairman of the CWB Advisory Committee, act as an Audit Committee in exercising this responsibility. The committee meets with the external auditors to discuss the results of their audit, and their evaluation of the CWB's internal controls. The Internal Audit Department, reporting directly to the Audit Committee, has a mandate to provide timely recommendations and assessments concerning the effectiveness of internal controls. The committee reviews the action taken by management with respect to the recommendations made by the internal and external auditors.

David Olfert
Executive Director,
Finance and Treasurer

Adrian Measner
Executive Director, Marketing

AUDITORS' REPORT

TO THE CANADIAN WHEAT BOARD

We have audited the financial statements of the Canadian Wheat Board set out as Exhibits I to VIII and notes thereto which include the balance sheet as at July 31, 1994, and the statements of operations for the 1993-94 pool accounts for wheat, amber durum wheat and barley for the period, August 1, 1993 to completion of operations on September 30, 1994, and for designated barley for the period August 1, 1993 to completion of operations on October 31, 1994, the statement of administrative and general expenses and allocations to operations for the year ended July 31, 1994, the statement of advance payments to producers under *Prairie Grain Advance Payments Act* as at July 31, 1994, and the statement of special account transactions for the year ended July 31, 1994. These financial statements are the responsibility of the CWB's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the CWB as at July 31, 1994, and the results of its operations and the changes in its financial position for the periods shown, in accordance with generally accepted accounting principles.

Deloitte & Touche
Chartered Accountants

Winnipeg, Canada
March 3, 1995

THE CANADIAN WHEAT BOARD—*Continued*

BALANCE SHEET AS AT JULY 31, 1994
(with prior year's figures for comparison)

EXHIBIT I

ASSETS	1994	1993
	$	$
Stocks of grain: (Note 1(a))		
—Wheat	962,889,819	1,032,606,735
—Durum	310,702,175	152,800,981
—Barley	73,507,657	119,770,067
—Designated Barley	40,633,434	17,844,322
	1,387,733,085	1,323,022,105
Foreign receivables plus accrued interest (Note 2)	7,004,871,132	6,801,406,657
Accounts receivable (Note 3)		
Amounts due on completed sales	93,335,113	26,533,413
Sundry	16,711,649	27,921,401
Prairie Grain Advance Payments Act	303,167,713	415,384,685
The Canadian Wheat Board Building, Winnipeg, at cost less depreciation	1,105,667	1,206,054
Covered hopper cars, at cost less depreciation (Note 4)	45,241,371	48,334,488
Office furniture, equipment and automobiles, at cost less depreciation	1,836,534	1,915,470
Deferred and prepaid expenses	4,581,157	5,339,117
	8,858,583,421	8,651,063,390

LIABILITIES	1994	1993
	$	$
Borrowings (Note 5)	6,826,621,553	6,849,397,443
Liability to agents for grain purchased from producers (Note 6)	866,923,224	737,479,954
Liability to agents for deferred cash tickets (Note 7)	83,817,852	58,798,687
Accrued expenses and accounts payable (Note 8)	138,656,183	92,341,032
Outstanding adjustment and final payment cheques to producers:		
—Wheat	258,723,393	10,954,966
—Durum	6,275,053	1,583,174
—Oats	3,021	3,021
—Barley	157,743	62,638
—Designated Barley	59,534	72,175
Special Account—Net balance of undistributed payment accounts (Note 9)	3,470,850	4,252,177
Provision for final payment expenses (Note 10)	4,371,597	3,665,531
Surpluses resulting from operations:		
Pool Account:		
—Wheat	435,908,662	708,452,483
—Durum	150,539,820	116,387,977
—Barley	45,977,481	47,943,196
—Designated Barley	37,077,455	19,668,936
	8,858,583,421	8,651,063,390

LORNE F. HEHN
Chief Commissioner

FORREST M. HETLAND
Assistant Chief Commossioner

RICHARD H. KLASSEN
Commissioner

GORDON P. MACHEJ
Commissioner

KEN BESWICK
Commissioner

THE CANADIAN WHEAT BOARD—*Continued*

STATEMENT OF OPERATIONS

1993-94 POOL ACCOUNT—WHEAT
FOR THE PERIOD AUGUST 1, 1993 TO COMPLETION OF OPERATIONS ON SEPTEMBER 30, 1994
(with prior year's figures for the 1992-93 Pool Account ended September 30, 1993 for comparison)

EXHIBIT II

	1993-94		1992-93	
	Tonnes	Amount	Tonnes	Amount
		$		$
Wheat acquired:				
Purchased from Producers at CWB initial prices basis in store Thunder Bay or Vancouver	17,522,229	2,103,169,225	22,820,299	2,579,360,586
Net tonnes acquired from the adjustment of overages and shortages, etc., at country and terminal elevators at CWB initial prices basis in store Thunder Bay or Vancouver	66,811	6,670,985	138,169	14,952,596
Purchased from prior year Pool Account—Wheat	3,713,769	551,150,195	518,139	78,517,142
	21,302,809	2,660,990,405	23,476,607	2,672,830,324
Wheat sold:				
Completed sales to July 31 basis in store Thunder Bay, Vancouver or Churchill:				
Domestic	1,692,008		1,685,542	
Export	13,212,550		14,982,267	
Weight losses in transit and in drying	7,274		3,776	
	14,911,832	2.228.565.225	16,671,585	2.464.276.962
Wheat Stocks—Being Wheat stocks on hand at July 31 stated at the ultimate value received from the sale thereof, basis in store Thunder Bay, Vancouver or Churchill:				
Completed sales for the period subsequent to July 31:				
Domestic	416,565		372,632	
Export	3,892,524		2,718,621	
Sale to the subsequent Pool Account—Wheat	2,081,888		3,713,769	
	6,390,977	962,889,819	6,805,022	1,032,606,735
	21,302,809	3,191,455,044	23,476,607	3,496,883,697
Surplus on Wheat transactions		530,464,639		824,053,373
Operating costs:				
Carrying charges:				
Carrying charges on Wheat stored in country elevators		43,906,781		54,971,310
Storage on Wheat stored in terminal elevators		10,102,608		33,250,406
		54,009,389		88,221,716
Interest and bank charges		(49,583,506)		(61,465,661)
Demurrage/Despatch		23,986,030		4,990,216
Additional Freight—Wheat shipped from country stations to terminal position		27,010,961		41,169,180
—Freight rate change		1,986,771		6,405,385
Drying charges		4,249,486		1,323,460
Interest and depreciation on Wheat Board hopper cars		2,901,288		5,341,692
Wheat Board administrative and general expenses		29,995,558		29,614,902
		94,555,977		115,600,890
Surplus on operations of the CWB on the Pool Account—Wheat, for the period from August 1, 1993 to September 30, 1994 (1992-93 September 30, 1993)		435,908,662		708,452,483

THE CANADIAN WHEAT BOARD—*Continued*

STATEMENT OF OPERATIONS

1993-94 POOL ACCOUNT—AMBER DURUM WHEAT
FOR THE PERIOD AUGUST 1, 1993 TO COMPLETION OF OPERATIONS ON SEPTEMBER 30, 1994
(with prior year's figures for the 1992-93 Pool Account ended September 30, 1993 for comparison)

EXHIBIT III

	1993-94		1992-93	
	Tonnes	Amount	Tonnes	Amount
		$		$
Durum acquired:				
Purchased from Producers at CWB initial prices basis in store Thunder Bay or Vancouver	3,623,117	594,629,738	3,371,021	391,028,982
Net tonnes acquired from the adjustment of overages and shortages, etc., at country and terminal elevators at CWB initial prices basis in store Thunder Bay or Vancouver	12,108	2,086,093	5,291	662,610
Purchased from prior year Pool Account—Durum	396,186	59,856,060		
	4,031,411	656,571,891	3,376,312	391,691,592
Durum sold:				
Completed sales to July 31 basis in store Thunder Bay, Vancouver or Churchill:				
Domestic	154,861		174,232	
Export	2,334,228		2,229,495	
Weight losses in transit and in drying	6,676		2,848	
	2,495,765	515.998.400	2,406,575	368,689,464
Durum Stocks—Being Durum stocks on hand at July 31 stated at the ultimate value received from the sale thereof, basis in store Thunder Bay, Vancouver or Churchill:				
Completed sales for the period subsequent to July 31:				
Domestic	27,131		18,735	
Export	625,156		554,816	
Sale to the subsequent Pool Account—Durum	883,359		396,186	
	1,535,646	310,702,175	969,737	152,800,981
	4,031,411	826,700,575	3,376,312	521,490,445
Surplus on Amber Durum Wheat transactions		170,128,684		129,798,853
Operating costs:				
Carrying charges:				
Carrying charges on Durum stored in country elevators		9,628,393		7,530,466
Storage on Durum stored in terminal elevators		5,780,006		6,931,615
		15,408,399		14,462,081
Interest and bank charges		(5,473,617)		(7,948,514)
Demurrage/Despatch		925,872		173,659
Additional Freight—Durum shipped from country stations to terminal position		1,069,443		888,242
—Freight rate change		431,086		638,026
Drying charges		425,514		33,585
Interest and depreciation on Wheat Board hopper cars		599,907		789,076
Wheat Board administrative and general expenses		6,202,260		4,374,721
		19,588,864		13,410,876
Surplus on operations of the CWB on the Pool Account—Durum, for the period from August 1, 1993 to September 30, 1994 (1992-93 September 30, 1993)		150,539,820		116,387,977

THE CANADIAN WHEAT BOARD—*Continued*

STATEMENT OF OPERATIONS

1993-94 POOL ACCOUNT—BARLEY
FOR THE PERIOD AUGUST 1, 1993 TO COMPLETION OF OPERATIONS ON SEPTEMBER 30, 1994
(with prior year's figures for the 1992-93 Pool Account ended September 30, 1993 for comparison)

EXHIBIT IV

	1993-94		1992-93	
	Tonnes	Amount	Tonnes	Amount
		$		$
Barley acquired:				
Purchased from Producers at CWB initial prices basis in store Thunder Bay or Vancouver	2,362,477	189,567,305	3,328,087	290,864,737
Net tonnes acquired from the adjustment of overages and shortages, etc., at country and terminal elevators at CWB initial prices basis in store Thunder Bay or Vancouver	5,125	309,256	9,120	823,272
Purchased from prior year Pool Account—Barley	677,155	64,385,323	200,521	22,942,942
	3,044,757	254,261,884	3,537,728	314,630,951
Barley sold:				
Completed sales to July 31 basis in store Thunder Bay, Vancouver or Churchill	2,305,867	238,989,043	2,276,455	264,745,627
Weight losses in transit and in drying	3,295		144	
Barley stocks—Being Barley stocks on hand at July 31 stated at the ultimate value received from the sale thereof, basis in store Thunder Bay, Vancouver or Churchill:				
Completed sales for the period subsequent to July 31	459,295	42,286,695	583,974	55,384,744
Sale to the subsequent Pool Account—Barley	276,300	31,220,962	677,155	64,385,323
	3,044,757	312,496,700	3,537,728	384,515,694
Surplus on Barley transactions		58,234,816		69,884,743
Operating costs:				
Carrying charges:				
Carrying charges on Barley stored in country elevators		2,936,647		9,399,488
Storage on Barley stored in terminal elevators		1,151,807		4,122,485
		4,088,454		13,521,973
Interest and bank charges		(6,112,557)		(6,442,337)
Demurrage/Despatch		4,288,454		(196,053)
Additional Freight—Barley shipped from country stations to terminal position		3,567,096		8,586,775
—Freight rate change		159,211		1,315,654
Drying charges		1,831,281		57,505
Interest and depreciation on Wheat Board hopper cars		391,173		779,026
Wheat Board administrative and general expenses		4,044,223		4,319,004
		12,257,335		21,941,547
Surplus on operations of the CWB on the Pool Account—Barley, for the period from August 1, 1993 to September 30, 1994 (1992-93 September 30, 1993)		45,977,481		47,943,196

THE CANADIAN WHEAT BOARD—*Continued*

STATEMENT OF OPERATIONS

1993-94 POOL ACCOUNT—DESIGNATED BARLEY
FOR THE PERIOD AUGUST 1, 1993 TO COMPLETION OF OPERATIONS ON OCTOBER 31, 1994
(with prior year's figures for the 1992-93 Pool Account ended October 31, 1993 for comparison)

EXHIBIT V

	1993-94		1992-93	
	Tonnes	Amount	Tonnes	Amount
		$		$
Designated Barley acquired:				
Purchased from Producers at CWB initial prices basis in store Thunder Bay or Vancouver	1,727,924	185,900,087	918,890	123,255,563
Designated Barley sold:				
Completed sales to July 31 basis in store Thunder Bay or Vancouver	1,425,712	186,612,964	801,192	125,271,878
Designated Barley stocks—Being Designated Barley stocks on hand at July 31 stated at the ultimate value received from the sale thereof, basis in store Thunder Bay or Vancouver:				
Completed sales for the period subsequent to July 31	302,212	40,633,434	117,698	17,844,322
	1,727,924	227,246,398	918,890	143,116,200
Surplus on Designated Barley transactions		41,346,311		19,860,637
Operating costs:				
Producer Contract Storage		2,679,037		
Terminal Storage				17,036
Interest		(2,003,272)		(1,178,048)
Demurrage/Despatch		312,539		(59,119)
Interest and depreciation on Wheat Board hopper cars		286,105		215,090
Wheat Board administrative and general expenses		2,994,447		1,196,742
		4,268,856		191,701
Surplus on operations of the CWB on the Pool Account—Designated Barley, for the period from August 1, 1993 to October 31, 1994 (1992-93 October 31, 1993)		37,077,455		19,668,936

THE CANADIAN WHEAT BOARD—*Continued*

STATEMENT OF ADMINISTRATIVE AND GENERAL EXPENSES AND ALLOCATIONS TO OPERATIONS FOR THE YEAR ENDED JULY 31, 1994
(with prior year's figures for comparison) EXHIBIT VI

	1993-94	1992-93
	$	$
Administrative and General Expenses:		
Salaries—Board members, officers and staff (Note 13 (a))	20,079,920	19,216,225
Unemployment insurance, pension, group insurance, medical and other employee benefits (Note 1 (f) and Note 13 (a))	4,557,119	3,672,996
Manitoba Health and Education Tax	443,945	429,574
Advisory Committee operating costs and election expenses (1992-93 operating costs only)	254,312	150,808
Rental and lighting of offices, including maintenance of The Canadian Wheat Board Building	1,889,663	2,231,606
Telephones, telex, and facsimile transmissions	681,836	652,738
Postage	1,091,818	715,672
Printing, stationery and supplies	776,364	589,137
Annual report and "Grain Matters", etc.	200,504	209,202
District meetings	65,037	56,028
Management Consulting	415,392	195,368
Office and miscellaneous	1,700,325	1,495,205
Travelling and transfer of staff	1,644,860	1,326,288
Area Representatives	242,460	240,729
Legal fees and court costs	143,115	112,209
Consulting/Legal costs—Trade Challenge (Note 13 (b))	585,629	
Audit fees	150,000	157,000
Computing equipment—Rental and sundries	4,145,349	3,589,798
Repair and upkeep of office machines and equipment	102,090	79,005
Grain market publications and services	194,229	155,567
The Canadian Wheat Board share of operating expenses of Canadian International Grains Institute	1,435,396	1,186,331
Bonds and insurance	64,254	45,775
Depreciation on building, furniture, equipment, and automobiles	446,616	492,685
	41,310,233	36,999,946

	1993-94	1992-93
	$	$
Allocations to Operations:		
1. Marketing of Producers' Grain		
1993-94 Pool Account—Wheat	15,227,206	
1993-94 Pool Account—Durum	3,148,569	
1993-94 Pool Account—Barley	2,053,045	
1993-94 Pool Account—Designated Barley	1,501,604	
1992-93 Pool Account—Wheat	14,111,533	
1992-93 Pool Account—Durum	2,084,560	
1992-93 Pool Account—Barley	2,058,010	
1992-93 Pool Account—Designated Barley	567,690	
	40,752,217	36,548,209
2. Distributing Final Payments to Producers		
(a) Wheat and Durum		
1992-93 Pool Account—Wheat	292,395	
1992-93 Pool Account—Durum	52,831	
1991-92 Pool Account—Wheat	36,248	
1991-92 Pool Account—Durum	9,457	
1989-90 Pool Account—Wheat	334	
1989-90 Pool Account—Durum	89	
1988-89 Pool Account—Wheat	311	
1988-89 Pool Account—Durum	77	
1987-88 Pool Account—Wheat	333	
1987-88 Pool Account—Durum	79	
	392,154	340,462
(b) Coarse Grains		
1992-93 Pool Account—Barley	95,821	
1992-93 Pool Account—Designated Barley	53,749	
1991-92 Pool Account—Barley	13,190	
1991-92 Pool Account—Designated Barley	2,596	
1990-91 Pool Account—Designated Barley	50	
1989-90 Pool Account—Barley	125	
1989-90 Pool Account—Designated Barley	23	
1988-89 Pool Account—Barley	141	
1988-89 Pool Account—Designated Barley	27	
1987-88 Pool Account—Oats	20	
1987-88 Pool Account—Barley	95	
1987-88 Pool Account—Designated Barley	25	
	165,862	111,275
	41,310,233	36,999,946

THE CANADIAN WHEAT BOARD—*Continued*

STATEMENT OF ADVANCE PAYMENTS TO PRODUCERS
UNDER THE *PRAIRIE GRAIN ADVANCE PAYMENTS ACT*
AS AT JULY 31, 1994

EXHIBIT VII

	Cash Advances to Producers	Advances Repaid by Producers	Balance to be Refunded by Producers
	$	$	$
1957-58 Crop Year	35,203,467	35,200,848	2,619
1958-59 Crop Year	34,369,653	34,366,768	2,885
1959-60 Crop Year	38,492,505	38,490,061	2,444
1960-61 Crop Year	63,912,550	63,905,338	7,212
1961-62 Crop Year	16,656,713	16,651,472	5,241
1962-63 Crop Year	29,251,526	29,245,974	5,552
1963-64 Crop Year	62,136,418	62,129,679	6,739
1964-65 Crop Year	32,961,844	32,955,727	6,117
1965-66 Crop Year	40,600,386	40,596,511	3,875
1966-67 Crop Year	36,668,270	36,664,915	3,355
1967-68 Crop Year	47,280,533	47,277,578	2,955
1968-69 Crop Year	151,852,319	151,771,755	80,564
1969-70 Crop Year	272,777,516	272,482,041	295,475
1970-71 Crop Year	91,105,890	91,076,244	29,646
1971-72 Crop Year	68,142,360	68,109,571	32,789
1972-73 Crop Year	20,754,104	20,743,234	10,870
1973-74 Crop Year	35,259,387	35,220,735	38,652
1974-75 Crop Year	46,635,399	46,609,707	25,692
1975-76 Crop Year	20,236,528	20,208,239	28,289
1976-77 Crop Year	130,592,220	130,484,634	107,586
1977-78 Crop Year	119,090,916	118,932,241	158,675
1978-79 Crop Year	151,316,450	151,201,389	115,061
1979-80 Crop Year	99,146,581	99,084,864	61,717
1980-81 Crop Year	61,640,150	61,600,992	39,158
1981-82 Crop Year	333,688,190	333,290,407	397,783
1982-83 Crop Year	309,022,755	308,340,623	682,132
1983-84 Crop Year	286,736,519	286,076,766	659,753
1984-85 Crop Year	201,289,320	200,561,802	727,518
1985-86 Crop Year	340,670,296	339,858,477	811,819
1986-87 Crop Year	642,511,850	640,952,974	1,558,876
1987-88 Crop Year	563,607,958	560,735,558	2,872,400
1988-89 Crop Year	319,522,186	316,979,757	2,542,429
1989-90 Crop Year	144,260,874	141,325,602	2,935,272
1990-91 Crop Year	1,461,790,445	1,450,557,448	11,232,997
1991-92 Crop Year	1,163,737,749	1,148,167,316	15,570,433
1992-93 Crop Year	1,081,150,782	1,049,794,947	31,355,835
1993-94 Crop Year	819,208,984	506,259,991	312,948,993
	9,373,281,593	8,987,912,185	

Balance to be refunded by Producers as at July 31, 1994		385,369,408
Add: bank interest to July 31, 1994 payable by the Government of Canada	347,831,593	
Less: amount paid by the Government to July 31, 1994	(347,041,570)	790,023
Add: bank interest to July 31, 1994 payable by producers	16,144,012	
accrued interest producers—Shared	8,847,003	
accrued interest producers—100 percent	632,999	
	25,624,014	
Less: amount paid by producers to July 31, 1994	(21,187,669)	4,436,345
		390,595,776
Deduct: balance of funds received:		
Government of Canada—To cover advance payments in default	87,189,234	
line elevator companies—To cover advance payments in default	1,825,288	
line elevator companies—To cover current advances	118,877	
interest received on default payments	21,347,149	
less: interest forwarded to the Government of Canada	(23,052,485)	87,428,063
Owing to The Canadian Wheat Board as at July 31, 1994		303,167,713

[*] Prior to the 1989-90 crop year, the Government of Canada paid all the interest. During the 1989-90 crop year, the producer was required to pay all the interest on the cash advance. During the 1990-91, 1991-92 and 1992-93 crop years, the producer was required to pay interest on the part of the cash advance that was in excess of $50,000. During the 1993-94 crop year, the producer was required to pay interest on the part of the cash advance that was in excess of $60,000 and was required to pay the first 2.25 percent on advances up to $60,000.

THE CANADIAN WHEAT BOARD—*Continued*

STATEMENT OF SPECIAL ACCOUNT TRANSACTIONS
FOR THE YEAR ENDED JULY 31, 1994

EXHIBIT VIII

Authorized by Order-in-Council No.	Description of Purpose	Unexpended as at July 31, 1993	Authorized Crop Year 1993-94	Unexpended as at July 31, 1994	Expended Crop Year 1993-94	$
Balance of Special Account as at July 31, 1993						4,252,177
Expenditures:						
		$	$	$	$	
PC 1994-274	Market Development	200,529	250,000	164,275	286,254	
PC 1992-2063	Canadian International Grains					
PC 1994-275	Institute—Capital Expenditures	100,612	200,000	129,788	170,824	
PC 1991-2548	Founding Chairs Program	75,000		50,000	25,000	
PC 1990-1538	Scholarship Program	30,739	319,261	50,812	299,188	
		406,880	769,261	394,875		781,266
						3,470,911
Less: payments to producers against old payment accounts						61
Balance of Special Account as at July 31, 1994						3,470,850

As at July 31, 1994 there were unexpended authorizations totalling $394,875 leaving an unallocated balance of $3,075,975 in the Account.

THE CANADIAN WHEAT BOARD—*Continued*

NOTES TO FINANCIAL STATEMENTS

The following are an integral part of the financial statements.

1. Accounting Policies

(a) Operating Results and Valuation of Stocks of Grain

The annual accounts at July 31 include the final operating results of all pool accounts for the crop year ended July 31, where marketing operations have been completed before the issuance of the annual report for that year. In determining the financial results for such pools, the accounts of the CWB at July 31 include:

(i) the stocks of such grains on hand at that date at the values which were ultimately received from the sale thereof basis in store Thunder Bay, Vancouver or Churchill; and

(ii) provision for all expenses incurred or to be incurred before the sales proceeds are realized in cash or in accounts receivable due from foreign customers, including a charge for the portion of administrative and general expenses to be incurred subsequent to July 31 but relating to the marketing and accounting for the grains in the various pools before they are closed.

(b) Foreign Currency Translations

Amounts due in United States funds which are covered by forward exchange contracts are translated at the contract rates. In all other cases, amounts due from foreign customers and borrowings payable in United States funds are translated at the rate of exchange in effect as at the balance sheet date.

Medium term notes issued by the CWB in currencies other that the Canadian or United States dollar are hedged by currency swap agreements and are translated into Canadian or United States dollars at the rates provided therein.

Foreign exchange adjustments arising from conversion of amounts due from foreign customers and borrowings are included in operating results.

(c) Other Financial Instruments

The CWB enters into grain futures contracts, currency and interest rate swaps to reduce market, currency and interest rate risks.

(d) Depreciation

The rates of depreciation being applied are intended to fully depreciate assets over their expected lives and are as follows:

Hopper cars	30 years
Office building	40 years
Office furniture and equipment	10 years
Automotive equipment	2 years (to 1/3 residual value)

(e) Administration and General Expenses

Administration and general expenses, except for that portion of such expenses attributable to distributing final payments to producers, are allocated to the various pool account operations to which the services relate on the basis of the relative tonnage. Expenses attributable to final payments are allocated on the basis of the number of producers receiving payments from the various pool accounts.

(f) Change in Accounting Policy

Previous to the 1993-94 crop year, benefits provided to employees upon retirement or termination were recorded when they were paid out. Commencing with the 1993-94 crop year, these benefits are recorded as they accrue to the employees. This change in accounting policy has not been applied on a retroactive basis. The unaccrued balance of those benefits at July 31, 1993 of $7,980,330 is being amortized over ten years commencing with the 1993-94 crop year. The effect of this change on the 1993-94 crop year is an increase in employee benefits expense of $996,948 over what the expense would have been if the accounting policy had not been changed.

2. Foreign Receivables Plus Accrued Interest

Of the $7,004,871,132 principal and accrued interest due from foreign customers, $4,798,401,908 (1993—$4,436,853,603) represents the Canadian equivalent of $3,457,061,893 (1993—$3,451,461,379) repayable in United States funds.

The balances receivable arise from sales of grain to Algeria, Brazil, Egypt, Ethiopia, Haiti, Iran, Iraq, Jamaica, Mexico, Pakistan, Peru, Poland, Russia and Zambia. The terms call for payment in full within 36 months or less from time of shipment, except for Algeria, Brazil, Egypt, Ethiopia, Haiti, Jamaica, Mexico, Peru, Poland, Russia and Zambia where the CWB, together with the Canadian government, have agreed to reschedule certain receivables beyond their original maturity dates. Terms of such reschedulings vary calling for payment of interest and the rescheduled debt for periods ranging from five years to a maximum of 25 years in certain instances. As at July 31, 1994, total reschedulings amounted to $4,913,430,935 including $2,719,643,428 which is the Canadian equivalent of $1,959,397,282 receivable in United States funds.

During the crop year, the CWB together with the Government of Canada signed a bilateral agreement with Ethiopia to reschedule over a 25-year period principal and interest, including late interest, due and not paid as at November 30, 1992. The Rescheduling Agreement requires the Government of Canada to provide debt forgiveness equal to 50 percent of this amount. As at July 31, 1994, the accounts of the CWB include $898,043 which is the Canadian equivalent of $647,005 receivable in United States funds which has been rescheduled under this Agreement.

During the crop year, the Government of Canada and other creditor nations agreed to a deferral of certain Russian obligations. Subsequent to the crop year, the CWB together with the Government of Canada initialed a bilateral agreement with Russia, to reschedule specific principal and interest amounts, including 40 percent of the late interest, due and not paid from January 1, 1994 to December 31, 1994. In addition 80 percent of the interest amounts, excluding late interest, accrued from April 1, 1994 to December 31, 1994 falling due under the 1992-93 Rescheduling Agreement is being rescheduled as well. Interest accrued from January 1, 1994 to March 31, 1994 under the 1992-93 Rescheduling Agreement was to be paid by July 31, 1994. Payment of these rescheduled amounts is being deferred for periods of 12 to 17 years. As at July 31, 1994, the accounts of the CWB include $612,174,422 which is the Canadian equivalent of $441,047,854 in United States funds which was subject to this rescheduling.

THE CANADIAN WHEAT BOARD—*Continued*

NOTES TO FINANCIAL STATEMENTS—*Continued*

During the crop year, the CWB together with the Government of Canada signed a bilateral agreement with Zambia to reschedule certain Zambian obligations that had earlier been rescheduled under bilateral agreements signed in 1985, 1990 and 1991. Principal and interest, excluding late interest, due and not paid as at June 30, 1992, and due and not paid from July 1, 1992 to March 31, 1995 were rescheduled under this Agreement. Under the terms of this rescheduling, the Government of Canada has agreed to provide debt forgiveness of 50 percent of the amounts arising from the bilateral agreements signed in 1985 and 1990. As at July 31, 1994, the accounts of the CWB include $21,194,298 which is included in this rescheduling. Of this amount, $14,563,557 is subject to the 50 percent debt forgiveness provision and is being rescheduled over 25 years. Of the balance, all of which is due under the 1991 Rescheduling Agreement, $2,622,356 is being rescheduled over nine years and $4,008,385 is being rescheduled over 12 years.

Subsequent to the crop year, the CWB together with the Government of Canada signed a bilateral agreement with Algeria, to reschedule over a 15-year period specific principal and interest amounts, excluding late interest, due and not paid as at May 31, 1994 and due and not paid from June 1, 1994 to October 31, 1994. Specific principal amounts due and not paid from November 1, 1994 to May 31, 1995 are being rescheduled as well. As at July 31, 1994 the accounts of the CWB included $89,922,791 which is the Canadian equivalent of $64,785,872 receivable in United States funds which is subject to this 15-year rescheduling.

Subsequent to the crop year, the CWB together with the Government of Canada signed an amendment to the bilateral Rescheduling Agreement the CWB has had with Egypt since 1992. Under the original terms of this Agreement the Government of Canada had agreed to provide debt relief by assisting with the debt servicing costs over the 25-year life of the Agreement. Effective July 1, 1994, the Government of Canada elected to change the method whereby it provides debt relief to Egypt from debt service reduction to debt reduction. With the amended Agreement, the Government of Canada committed itself to make a payment of $67,244,591 to the CWB to fufill its commitment to Egypt.

Subsequent to the crop year, the CWB together with the Government of Canada signed a bilateral agreement with Peru, to reschedule over a 17-year period all interest, excluding late interest, due and not paid from January 1, 1993 to March 31, 1996, arising from the bilateral rescheduling agreement signed in 1992. As at July 31, 1994, the accounts of the CWB include $766,933 which is the Canadian equivalent of $552,546 in United States funds which is being rescheduled under this Agreement. The bilateral agreement also included a provision to defer over a 10-year period the deferred interest payments due and not paid from January 1, 1993 to March 31, 1996, arising from the deferred interest payment provision of the debt rescheduling portion of the 1992 bilateral Rescheduling Agreement. As at July 31, 1994, the accounts of the CWB include $373,526 which is the Canadian equivalent of $269,111 in United States funds which is being deferred under this Agreement.

Credit sales are made within limits established by the Government of Canada except as indicated below. The Government of Canada guarantees both the CWB's borrowings incurred to finance such sales and the accounts receivable resulting from the sales, both as to principal and interest. Because of these guarantees, the CWB is not at risk should any of the unpaid amounts prove to be uncollectible. In addition, balances receivable of $52,969,531 arise from credit sales made outside of the Government guaranteed Credit Grain Sales Program. The CWB has entered into arrangements with a Canadian financial institution to guarantee that the CWB is not at risk. Therefore, no provision is made in the accounts with respect to the possibility of debtors defaulting on their obligations.

3. Accounts Receivable

Accounts receivable include amounts due on completed sales as at July 31 where settlement was received shortly after that date. Sundry accounts receivable consists mainly of freight costs which are recovered on completed sales.

4. Covered Hopper Cars

The CWB purchased 2,000 covered hopper cars in 1979-80 having an original cost of $90,555,623. Of these 2,000 cars, 66 cars have been wrecked and dismantled leaving 1,934 still in the fleet having an original cost of $87,567,287 with accumulated depreciation of $42,325,916 to July 31, 1994. The CWB is reimbursed for destroyed cars under an operating agreement with the Canadian National Railway.

5. Borrowings

Details of these borrowings are as follows:

	July 31, 1994	July 31, 1993
	$	$
Short Term Debt Instruments and Loans	6,244,028,478	6,849,397,443
Medium Term Debt Instruments	582,593,075	
	6,826,621,553	6,849,397,443

These borrowings fund the following:

	July 31, 1994	July 31, 1993
	$	$
Ordinary Operations (Funds on Deposit) Borrowings	(169,922,918)	77,298,472
Borrowings to Finance Credit Sales	6,996,544,471	6,772,098,971
	6,826,621,553	6,849,397,443

Of the total short term borrowings, $4,198,547,264 (1993—$4,388,576,323) represents the Canadian equivalent of $3,024,889,960 (1993—$3,413,886,207) repayable in United States funds. Of the medium term borrowings, $542,593,075 represents the Canadian equivalent of $390,917,201 repayable in United States funds.

The CWB's borrowings are undertaken with the approval of the Minister of Finance. Such borrowings constitute direct obligations of the CWB and as such will constitute borrowings undertaken on behalf of Her Majesty in Right of Canada.

THE CANADIAN WHEAT BOARD—*Concluded*

NOTES TO FINANCIAL STATEMENTS—*Concluded*

6. Liability to Agents for Grain Purchased From Producers

Grain companies, acting in the capacity of agents of the CWB, accept deliveries from producers at country elevators and pay the producers on behalf of the CWB based on the CWB's initial price in effect. Settlement is not made by the CWB for these purchases until delivery to the CWB is completed by its agents at terminal or mill position. Liability to agents amounting to $866,923,224 (1993—$737,479,954) represents the amount payable by the CWB to its agents for 7,570,120 (1993—6,729,871) tonnes of grain on hand at country elevator points and in transit at July 31 for which delivery to and settlement by the CWB is to be completed subsequent to year end date.

7. Liability to Agents for Deferred Cash Tickets

Grain companies, as agents of the CWB, deposit with the CWB in trust an amount equal to the deferred cash tickets issued for CWB grain. These monies are returned to the grain companies to cover producer-deferred cash tickets maturing predominantly during the first days of the following calendar year.

8. Accrued Expenses and Accounts Payable

This item is principally comprised of accrued carrying charges, storage, interest and transportation charges to July 31, 1994, together with all other unpaid sundry accounts as at the foregoing date. It also includes provisions for all charges relating to the marketing of pool accounts for the period from August 1, 1994 to completion of operations on September 30, 1994, for wheat, amber durum wheat and barley, and to October 31, 1994 for designated barley.

9. Special Account—Net Balance of Undistributed Payment Accounts

In accordance with the provision of section 39 of the *Canadian Wheat Board Act*, the Governor in Council may authorize the CWB to transfer to a Special Account the unclaimed balances remaining in payment accounts which have been payable to producers for a period of six years or more. In addition to providing for payment of proper claims from producers against these old payment accounts, the section further provides that these funds shall be used for purposes as the Governor in Council, upon the recommendations of the CWB, may deem to be for the benefit of producers.

10. Provision for Final Payment Expenses

This item represents the balance of the CWB's reserve for final payment expenses of pool accounts that have been closed. Six years after particular accounts have been closed, the remaining reserves for these pools are transferred to the special account by Order-in-Council.

11. Lease Commitments

The CWB, as an agent of Her Majesty in Right of Canada, is the lessor of 2,000 covered hopper cars for the Government of Canada. All lease costs are recoverable from the Government and are not a charge to the operations of the CWB. Total payments associated with leases in the year ended July 31, 1994, amounting to $19,254,419 (1993—$16,412,642) have been recovered by the CWB. Lease terms are for 20 and 25 years.

12. Off Balance Sheet Financial Instruments

The CWB enters into swap agreements to manage interest rate and currency risk arising from the issuance of medium term notes. The interest rate and currency swaps outstanding at July 31 have a notional principal value of $582,593,075. The CWB manages its exposure to the risk of non-performance by the counterparty, by contracting only with financial institutions having a very high credit rating, and therefore does not anticipate non-performance by the counterparties to these agreements.

The CWB makes use of exchange traded grain futures contracts to protect sales values against price fluctuations on certain sales contracts.

13. Statement of Administrative and General Expenses

(a) Restatement of Prior Year's Expenses

The prior year's salary and employee benefits expenses have been restated to conform to the current year's presentation.

(b) Consulting/Legal Costs—Trade Challenge

This is the cost incurred by the CWB as a result of a United States International Trade Commission investigation into wheat and wheat flour sales into the United States. This expense is being amortized over two years.

14. Statement of Changes in Financial Position

A statement of changes in financial position has not been included as the changes in financial position are evident from the balance sheet and the statements of operations for the pool accounts.

CAPE BRETON DEVELOPMENT CORPORATION

AUDITOR'S REPORT

TO THE MINISTER OF NATURAL RESOURCES

I have audited the balance sheet of Cape Breton Development Corporation as at March 31, 1995 and the statements of operations, equity and changes in financial position for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 1995 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles. As required by the *Financial Administration Act*, I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Corporation that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Cape Breton Development Corporation Act* and the by-laws of the Corporation.

Wm. Radburn, FCA
Assistant Auditor General
for the Auditor General of Canada

Ottawa, Canada
May 12, 1995

BALANCE SHEET AS AT MARCH 31, 1995
(in thousands of dollars)

ASSETS	1995	1994 (Restated Note 11)
Current		
Cash	10,109	9,045
Accounts receivable (Note 3)	24,596	35,870
Inventories		
Coal	10,959	15,896
Operating materials and supplies	12,908	10,706
Prepaid expenses	251	697
	58,823	72,214
Capital assets (Note 4)	269,874	283,163
Other asset		
Deferred pension costs (Note 5)	38,284	24,549
	366,981	379,926

LIABILITIES	1995	1994 (Restated Note 11)
Current		
Accounts payable and accrued liabilities	32,460	45,667
Large corporations tax payable	3,226	2,689
Employees' deductions	3,063	3,051
Due to Government of Canada		
Working capital advances	5,000	5,000
Current portion of long term provisions (Note 6)	8,488	8,756
	52,237	65,163
Provision for Lingan Colliery closure (Note 7)	38,898	42,834
Provision for environmental projects (Note 9)	3,440	4,240
	94,575	112,237
EQUITY		
Equity of Canada	272,406	267,689
	366,981	379,926

Commitments (Note 8)
Contingent liabilities and claims (Notes 9 and 10)
Long term agreement (Note 13)

Approved by the Board

GEORGE S. KHATTAR
Director

JOSEPH MacMULLEN
Director

CAPE BRETON DEVELOPMENT CORPORATION—*Continued*

STATEMENT OF OPERATIONS
YEAR ENDED MARCH 31, 1995
(in thousands of dollars)

	1995	1994 (Restated Note 11)
Revenue	235,361	231,800
Expenses		
Cost of product sold	161,681	158,505
External freight	9,978	10,084
General and administrative	14,033	14,343
Amortization	39,442	34,928
	225,134	217,860
Profit from current operations	10,227	13,940
Deduct:		
Pensions, early retirement and other costs	30,085	31,766
Provision for environmental projects	318	940
Loss before taxes	(20,176)	(18,766)
Large corporations tax (Note 11)	537	526
Loss for the year	(20,713)	(19,292)
Reconciliation to Government funding basis:		
Amortization of capital assets not deductible in determining mining income for Parliamentary appropriation	39,442	34,928
Lingan Colliery closure	(4,206)	(4,291)
Environmental projects	(800)	(1,200)
Mining income for Parliamentary appropriation	13,723	10,145

STATEMENT OF CHANGES IN FINANCIAL POSITION
YEAR ENDED MARCH 31, 1995
(in thousands of dollars)

	1995	1994 (Restated Note 11)
Net inflow (outflow) of cash related to the following activities:		
Operating		
Loss for the year	(20,713)	(19,292)
Amortization of capital assets	39,442	34,928
Provision for Lingan Colliery closure net of current portion	(3,936)	(2,781)
Provision for environmental projects net of current portion	(800)	(1,200)
Changes in non-cash operating working capital items (Note 12)	1,529	879
	15,522	12,534
Financing		
Payments by Canada in respect of capital expenditures	25,430	38,549
Increase in repayable working capital advances		5,000
	25,430	43,549
Investing		
Purchase of capital assets	(26,452)	(38,704)
Proceeds from sale of capital assets	299	204
Deferred pension costs	(13,735)	(10,448)
	(39,888)	(48,948)
Net inflow of cash	1,064	7,135
Cash, beginning of year	9,045	1,910
Cash, end of year	10,109	9,045

STATEMENT OF EQUITY
YEAR ENDED MARCH 31, 1995
(in thousands of dollars)

	1995	1994 (Restated Note 11)
Balance, beginning of year as restated (Note 11)	267,689	248,432
Add (deduct)		
Loss for the year	(20,713)	(19,292)
Parliamentary appropriations in respect of capital expenditures	25,430	38,549
Balance, end of year	272,406	267,689

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 1995

1. AUTHORITY AND OBJECTIVES

The Corporation was established in 1967 for the purpose of reorganizing and rehabilitating the coal industry on Cape Breton Island, pursuant to the *Cape Breton Development Corporation Act.* Its current corporate goal is to be a dependable supplier of quality coal and related energy products by operating a safe, commercially viable corporation which will provide a positive working environment through efficient and effective utilization of human, physical and technical resources.

The Corporation, an agent of Her Majesty, is listed as a Schedule III, Part I, corporation for purposes of the *Financial Administration Act.* The Corporation has received Parliamentary appropriations for capital and operating expenditures; but its Corporate Plan is to conduct its activities without appropriations after March 31, 1995. Advances from the Government of Canada are provided for working capital purposes to a limit of $50 million on such terms as may be agreed upon, as provided for in the *Cape Breton Development Corporation Act.*

CAPE BRETON DEVELOPMENT CORPORATION—*Continued*

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 1995—*Continued*

The Corporation's five year planning cycle, as established by the *Financial Administration Act*, has been interrupted pending determination of the operating and financial impact resulting from geological and technical difficulties encountered at Phalen Colliery since September 1994. An interim Corporate Plan for the next two years has been prepared, which forecasts the Corporation meeting its self-sufficiency mandate. Further assessment is required to determine the mine's medium to long term future. This assessment is expected to be completed during 1995, at which time it will be incorporated in a five year Corporate Plan submission.

2. ACCOUNTING POLICIES

(a) Financing

Parliamentary appropriations are reflected in the Statement of Equity.

(b) Inventories

Inventories are valued at the lower of cost and net realizable value.

(c) Capital Assets

Capital assets are stated at cost. The Corporation has provided amortization on its capital assets based on their estimated useful lives, using the straight-line method of calculation, as follows:

Prince Colliery	2-20 years
Phalen Colliery	2-20 years
Devco Railway	5-20 years
Coal Preparation Plant	5-20 years
Other assets	5-20 years

(d) Foreign Currency Translation

Monetary assets and liabilities are translated at exchange rates in effect at the balance sheet date. Revenue and expenses are translated at the rate of exchange prevailing on the transaction date. The resulting foreign currency gains and losses are included in the results of operations.

(e) Deferred Pension Costs

Deferred pension costs will be amortized over the estimated average remaining service life of the employees.

(f) Workers' Compensation

Workers' compensation costs are recorded on a pay-as-you-go basis when claimants' eligibility for benefits is determined by the Nova Scotia Workers' Compensation Board.

3. ACCOUNTS RECEIVABLE

	1995	1994
	(in thousands of dollars)	
Trade	20,371	27,393
Employees	252	23
Government of Canada in respect of capital expenditures	4,073	8,550
	24,696	35,966
Less: allowance for doubtful accounts	100	96
	24,596	35,870

4. CAPITAL ASSETS

	1995			1994
	Acquisition cost	Accumulated amortization	Net book value	Net book value
	(in thousands of dollars)			
Prince Colliery	150,318	99,783	50,535	50,965
Phalen Colliery	273,806	146,999	126,807	134,009
Donkin-Morien Development Project	80,679	80,679		
Coal Preparation Plant	107,872	73,786	34,086	33,968
Devco Railway	99,095	52,927	46,168	50,707
Other assets	62,068	49,790	12,278	13,514
	773,838	503,964	269,874	283,163

5. PENSIONS

The Corporation contributes to defined benefit pension plans on behalf of employees of the Corporation. The current service cost of pensions is included in the cost of product sold. All other pension costs are included in pensions, early retirement and other costs.

An actuarial valuation of the Corporation's Non-Contributory Pension Plan as at March 31, 1995 indicated an unfunded liability of $67,458,000 (assets of $181,412,000 and liabilities of $248,870,000). The Corporation has made provision in its annual operating plan for past and current service contributions in amounts at least equal to the anticipated pension payments under this plan. On this basis, the unfunded liability will be funded over a period of not more than four years. The Corporation contributed $26,325,000 (1994—$24,695,000) and expensed $12,590,000 (1994—$14,247,000), relative to this plan for the year ended March 31, 1995 with the difference appearing on the balance sheet as an addition to deferred pension costs.

An actuarial valuation of the Corporation's Contributory Pension Plan as at March 31, 1995 indicated a surplus of $3,550,000 (assets of $41,932,000 and liabilities of $38,382,000). Required Corporation payments and expenses approximated current service costs of $697,400 (1994—$806,440) relative to this plan for the year ended March 31, 1995.

6. CURRENT PORTION OF LONG TERM PROVISIONS

	1995	1994
	(in thousands of dollars)	
Lingan Colliery closure	6,928	7,196
Environmental projects	1,560	1,560
	8,488	8,756

CAPE BRETON DEVELOPMENT CORPORATION—*Continued*

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 1995—*Continued*

7. PROVISION FOR LINGAN COLLIERY CLOSURE

During 1991, management approved a plan based on the intended discontinuance of Lingan Colliery production by March 31, 1993. The plan included a human resources strategy for employees affected by this closure.

Provision was made in 1992 and 1993 for the estimated future cost of this strategy which includes an early retirement incentive, supplementary unemployment benefits for laid-off workers and voluntary severance allowances.

Provisions have also been made for the cost of dismantling and removal of certain capital assets from the Lingan site, as well as certain operating obligations necessary to finalize its closure.

8. COMMITMENTS

(a) The Corporation has commitments on capital projects of approximately $3.5 million.

(b) The Corporation leases the General Mining Building which houses its administrative offices. The lease is for a 20 year period which commenced June 1984. The annual lease payments fluctuate with changes in the lessor's mortgage interest rates. Current lease payments are $1,214,000 per annum at an interest rate of 8.25%.

(c) At March 31, 1995 the Corporation has forward exchange contracts to sell U.S. currency totalling $14.9 million at rates from $1.36 to $1.4073.

There were no forward exchange contracts to buy foreign currency at March 31, 1995.

9. CONTINGENT LIABILITIES AND CLAIMS

(a) Legal Matters

The Corporation is subject to several claims related to disputed contracts and other matters. One amount claimed is approximately $1.2 million and the amount of a second claim is undeterminable at this time. The Corporation intends to oppose these matters in their entirety.

(b) Insurance

The Corporation self insures against the potential loss of underground assets and for a portion of its liability insurance.

(c) Environmental Considerations

The Corporation, in the course of its operations, is subject to environmental liabilities and contingencies. Accruals are made as liabilities are incurred and where such liabilities can be reasonably estimated. The Corporation believes its operations comply in all material respects with applicable laws and regulations.

Over the next five years, the Corporation plans to spend approximately $17 million on environmental activities including the cost of capital assets and project costs.

(d) Workers' Compensation

In accordance with the *Government Employees' Compensation Act*, the Corporation reimburses Human Resources Development Canada for current payments of workers' compensation claims and periodic disability payments billed by the Workers' Compensation Board of the Province of Nova Scotia.

An actuarial study of Workers' Compensation awarded as at December 31, 1992 by the Nova Scotia Workers' Compensation Board against the Government of Canada, on behalf of the employees and former employees of the Corporation, has estimated a present value of approximately $150 million compensation payable in future years of *Government Employees Compensation Act* authority.

10. INCOME TAXES

The Corporation is subject to provisions of the *Income Tax Act*.

During 1990 the Corporation was reassessed by Revenue Canada Taxation for the years 1983-1989. The reassessment treats funding provided by the Government of Canada as government assistance for operating and capital purposes. The Corporation opposes Revenue Canada's position that appropriations to the Corporation are taxable as income from a business or property and that they otherwise reduce the capital cost of the Corporation's property.

The outcome of these and related matters is not determinable at this time and therefore no adjustments have been reflected in these financial statements.

11. PRIOR PERIOD ADJUSTMENT

Recently proposed amendments to the *Income Tax Act* clarify that certain federal Crown corporations are liable for tax under Part 1.3 of the *Act* (Large corporations tax) retroactive for taxation years that end after June 1989.

As a result of the Large corporations tax applicable to years ended 1990 to 1994, the equity balance at April 1, 1994 has been adjusted by $2,689,000. Of the $2,689,000, $526,000 is applicable to 1994 and has been charged to operations for that year. The remaining $2,163,000 is applicable to years prior to April 1, 1993 and the equity balance at that date has been adjusted accordingly.

12. CHANGES IN NON-CASH OPERATING WORKING CAPITAL ITEMS

	1995	1994
	(in thousands of dollars)	(Restated Note 11)
Inflow (outflow) of cash related to:		
Accounts receivable	11,274	3,181
Inventories		
Coal	4,937	(4,559)
Operating materials and supplies	(2,202)	(178)
Prepaid expenses	446	(392)
Accounts payable and accrued liabilities	(13,207)	2,684
Large corporations tax payable	537	526
Employees' deductions	12	1,128
Current portion of provisions	(268)	(1,511)
	1,529	879

CAPE BRETON DEVELOPMENT CORPORATION—*Concluded*

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 1995—*Concluded*

13. LONG TERM AGREEMENT

The Corporation has signed an agreement with Nova Scotia Power Inc. (NSPI) which calls for the delivery of a substantial portion of the Corporation's coal production to NSPI. The agreement expires in the year 2010 with a requirement to renegotiate quantities, tolerance on quantities and prices every five years. April 1, 1995 is the commencement of the next five year term within the agreement.

Negotiations for this term began in 1994, but have not been concluded. NSPI has issued a purported Notice of Termination to be effective March 31, 1997. In order to protect its interests under the agreement, the Corporation commenced legal action to claim breach of contract by NSPI and to compel NSPI to conduct negotiations under the terms of the agreement. The Corporation remains confident that a satisfactory resolution of this matter will be achieved by future negotiations, arbitration or by way of the action which has been commenced by the Corporation.

The parties' performance of this agreement in accordance with its terms is necessary to the future operations of the Cape Breton Development Corporation, and the fulfilment of its Corporate Plan to conduct its activities without Parliamentary appropriations after March 31, 1995.

14. RELATED PARTY TRANSACTIONS

In addition to those related party transactions disclosed elsewhere in these financial statements, the Corporation is related in terms of common ownership to all Government of Canada created departments, agencies and Crown Corporations. The Corporation enters into transactions with these entities in the normal course of business.

DEFENCE CONSTRUCTION (1951) LIMITED

MANAGEMENT REPORT

The management of the corporation is responsible for the performance of the duties delegated to it by the Board of Directors. These include the preparation of an Annual Report and the production of its contents, together with the financial statements. These statements, approved by the Board of Directors, were prepared in accordance with generally accepted accounting principles appropriate in the circumstances and consistently applied. Other financial and operating information appearing in the Annual Report is consistent with that contained in the financial statements.

Management relies on internal accounting control systems designed to provide reasonable assurance that relevant and reliable financial information is produced and that transactions comply with the relevant authorities.

Management also maintains financial and management control systems and practices designed to ensure the transactions are in accordance with Part X of the *Financial Administration Act* and regulations, the *Defence Production Act*, the *Canada Business Corporations Act* and the articles and by-laws of the corporation. Management also ensures that assets are safeguarded and controlled and that the operations of the corporation are carried out effectively. In addition, the Audit Committee, appointed by the Board of Directors, oversees the internal audit activities of the corporation and performs other such functions as are assigned to it.

The corporation's external auditor, the Auditor General of Canada, is responsible for auditing the financial statements and for issuing the report thereon.

Lorne Atchison
Chairman of the Board
and President

Trevor Heavens
Vice-President
Finance and Administration

AUDITOR'S REPORT

TO THE MINISTER DESIGNATE OF PUBLIC WORKS
AND GOVERNMENT SERVICES

I have audited the balance sheet of Defence Construction (1951) Limited as at March 31, 1995 and the statements of operations and deficit and changes in financial position for the year then ended. These financial statements are the responsibility of the corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the corporation as at March 31, 1995 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles. As required by the *Financial Administration Act*, I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the corporation that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Defence Production Act*, the *Canada Business Corporations Act* and the articles and by-laws of the corporation.

D. Larry Meyers, FCA
Deputy Auditor General
for the Auditor General of Canada

Ottawa, Canada
May 15, 1995

DEFENCE CONSTRUCTION (1951) LIMITED—*Continued*

BALANCE SHEET AS AT MARCH 31, 1995

ASSETS	1995	1994
	$	$
Current		
Cash	151,092	30,655
Accounts receivable	150,285	244,420
Due from Department of National Defence (Note 3)	460,150	507,609
Other	111,601	85,231
	873,128	867,915
Capital assets (Note 4)	2,136,614	1,572,386
	3,009,742	2,440,301

LIABILITIES	1995	1994
	$	$
Current		
Accounts payable and accrued liabilities	873,096	867,883
Current portion—Provision for employees benefits	489,438	510,293
	1,362,534	1,378,176
Provision for employee benefits (Note 5)	1,812,084	1,813,204
	3,174,618	3,191,380
CAPITAL STOCK AND DEFICIT		
Capital stock		
Authorized—1,000 common shares of no par value		
Issued—32 common shares	32	32
Deficit (Note 7)	(164,908)	(751,111)
	(164,876)	(751,079)
	3,009,742	2,440,301

Contingencies (Note 10)

Approved by the Board:

J. ADAMS
Director

J.D. McCLURE
Director

DEFENCE CONSTRUCTION (1951) LIMITED—*Continued*

STATEMENT OF OPERATIONS AND DEFICIT FOR THE YEAR ENDED MARCH 31, 1995

	1995	1994
	$	$
Expenses		
Salaries	11,009,086	10,956,230
Employee benefits	2,360,512	1,957,061
Travel and removal	980,764	940,249
Amortization	672,685	296,359
Office supplies and maintenance	650,854	732,125
Telephone	584,824	448,495
Office accomodation	478,232	505,588
Professional services	463,781	236,845
Training and professional development	344,209	396,037
Rental of machinery	310,837	281,079
Postage, express, and freight	147,718	162,041
Advertising	22,581	170,849
Other	65,300	74,069
	18,091,383	17,157,027
Cost recoveries		
Department of National Defence	18,100,692	17,230,094
Others	576,894	947,085
	18,677,586	18,177,179
Excess of cost recoveries over expenses (Note 6)	586,203	1,020,152
Deficit at beginning of the year	(751,111)	(1,771,263)
Deficit at end of the year	(164,908)	(751,111)

STATEMENT OF CHANGES IN FINANCIAL POSITION FOR THE YEAR ENDED MARCH 31, 1995

	1995	1994
	$	$
Operating activities		
Excess of cost recoveries over expenses	586,203	1,020,152
Items not requiring cash		
Provision for employee benefits	503,945	84,600
Amortization	672,685	296,359
Net decrease in non-cash working capital balances related to operations*	99,582	(1,699,281)
Cash provided by (used in) operations	1,862,415	(298,170)
Employee termination benefits paid	(505,065)	(144,895)
Cash provided by (used in) operating activities	1,357,350	(443,065)
Investing activities		
Acquisition of capital assets	(1,236,913)	(1,365,796)
Increase (decrease) in cash during the year	120,437	(1,808,861)
Cash at beginning of the year	30,655	1,839,516
Cash at end of the year	151,092	30,655

* Consisting of changes in accounts receivable due from Department of National Defence, other assets, accounts payable and accrued liabilities, and current portion of provision for employee benefits.

NOTES TO FINANCIAL STATEMENTS MARCH 31, 1995

1. Authority and objective

Defence Construction (1951) Limited was incorporated under the *Canada Corporations Act* in 1951 and was continued under the *Canada Business Corporations Act*, pursuant to the authority of the *Defence Production Act*. The corporation is an agent Crown corporation named in Part I of Schedule III to the *Financial Administration Act*. The corporation is not subject to income taxes.

The objective of the corporation is principally to contract for and manage the construction, maintenance and repairs services, architectural and engineering services as required for the construction program of the Department of National Defence, pursuant to the Memorandum of Understanding with the latter. It also carries out other projects as approved by Treasury Board.

Pursuant to the Memorandum of Understanding, the Department of National Defence provides the corporation with funding for its net cost of operations and also funds the purchase of capital assets required for its day-to-day operations.

2. Significant accounting policies

Financial statement presentation

The financial statements reflect only the administrative expenses incurred in procuring the services to the Department of National Defence and others, as described above.

Capital assets

Capital assets, comprised of equipment and computers which include hardware, software and development costs, are capitalized at cost and are amortized on a straight-line basis over five years.

Employee termination benefits

Employees are entitled to specific termination benefits calculated at salary levels in effect at the time of separation as provided for by conditions of employment. The liability for these benefits is recorded as the benefits accrue to employees.

Pension plan

Employees are covered by the Public Service Superannuation Plan administered by the Government of Canada. The corporation's contributions to the plan are limited to an amount equal to the employees' contributions on account of current and certain past service. These contributions represent the total pension obligations of the corporation and are charged to income on a current basis. The corporation is not required under present legislation to make contributions with respect to actuarial deficiencies of the Public Service Superannuation Account.

Services provided without charge

The Department of National Defence provides office space free of charge for employees of the corporation.

DEFENCE CONSTRUCTION (1951) LIMITED—*Concluded*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1995—*Concluded*

3. Due from Department of National Defence

The net cost of operations is recovered through the Department of National Defence to the extent of net cash requirement, and any excess of cash advances is refunded after year end. As at March 31, 1995 the net balance due from the Department of National Defence was $460,150 (1994—$507,609).

4. Capital assets

	1995			1994
	Cost	Accumulated amortization	Net	Net
	$	$	$	$
Equipment	909,877	656,659	253,218	163,403
Computers	3,211,515	1,328,119	1,883,396	1,408,983
	4,121,392	1,984,778	2,136,614	1,572,386

5. Provision for employee benefits

	1995	1994
	$	$
Termination benefits	1,723,592	1,834,606
Life insurance	28,612	34,962
Compensation benefits	549,318	453,929
	2,301,522	2,323,497
Less: current portion	489,438	510,293
	1,812,084	1,813,204

6. Excess of cost recoveries over expenses

The excess of cost recoveries over expenses is the net balance resulting from the change in provision for employee benefits and the change in the net book value of capital assets at year end.

	1995	1994
	$	$
Decrease (increase) in provision for employee benefits	21,975	(49,285)
Increase in net book value of capital assets	564,228	1,069,437
	586,203	1,020,152

7. Deficit

The deficit of the corporation is comprised of the difference between the provision for employee benefits, which will be funded in future years as they are paid, and the net book value of capital assets which have been funded by the Department of National Defence.

	1995	1994
	$	$
Provision for employee benefits (Note 5)	2,301,522	2,323,497
Net book value of capital assets (Note 4)	(2,136,614)	(1,572,386)
	164,908	751,111

8. Related party transactions

In addition to the related party transactions disclosed elsewhere in these financial statements, the corporation is related in terms of common ownership to all Government of Canada created departments, agencies and Crown corporations. The corporation enters into transactions with these entities in the normal course of business.

9. Lease commitments

In addition to the free office space provided by the Department of National Defence, the corporation leases extra accommodation in the performance of its operations. The future minimum annual lease payments are:

Year ending March 31	$
1996	115,921
1997	51,332
1998	51,332
1999	51,332
2000	35,985
	305,902

10. Contingencies

Claims aggregating approximately $4,934,000 in respect of contractual obligations have been received by the corporation, but are not reflected in the accounts. In the opinion of management and legal counsel, the position of the corporation is defensible. However, the final outcome of such claims is not determinable. Any settlements resulting from the resolution of these claims will be funded by the Department of National Defence, in the year of settlement.

11. Comparative figures

Certain 1994 comparative figures have been reclassified to conform with the current year's presentation.

ENTERPRISE CAPE BRETON CORPORATION

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements of Enterprise Cape Breton Corporation and all information in this annual report have been prepared by the Corporation's management. The financial statements have been prepared in accordance with generally accepted accounting principles, using management's best estimates and judgements, where appropriate. Where there is more than one acceptable accounting alternative, management has chosen the one that is most appropriate to the circumstances of the Corporation.

Management is responsible for the integrity and objectivity of the information in the financial statements and annual report. Financial information presented elsewhere in the annual report is consistent with that contained in the financial statements.

In discharging its responsibility for the integrity and fairness of the financial statements, management maintains financial and management control systems and practices designed to provide reasonable assurance that transactions are authorized and comply with relevant authorities, assets are safeguarded, and proper records are maintained to produce timely, reliable financial statements. In addition, the Audit Committee of the Board of Directors oversees management's responsibilities for maintaining adequate control systems and the quality of financial reporting.

The Audit Committee of the Board of Directors has periodic meetings with management and the independent auditors to discuss the financial reporting process as well as accounting and reporting issues. The financial statements have been reviewed and approved by the Board of Directors of the Corporation upon the recommendation of the Audit Committee.

The Auditor General of Canada conducts an independent audit of the financial statements of the Corporation in order to express his opinion thereon.

F.M. Street
Vice-President

Francis Mullins
Comptroller

AUDITOR'S REPORT

TO THE MINISTER FOR THE PURPOSES OF THE
ATLANTIC CANADA OPPORTUNITIES AGENCY ACT

I have audited the balance sheet of Enterprise Cape Breton Corporation as at March 31, 1995 and the statements of equity, operations and changes in financial position for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 1995 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles. As required by the *Financial Administration Act*, I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Corporation that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Enterprise Cape Breton Corporation Act* and the by-laws of the Corporation.

Wm. F. Radburn, FCA
Assistant Auditor General
for the Auditor General of Canada

Ottawa, Canada
May 26, 1995

ENTERPRISE CAPE BRETON CORPORATION—*Continued*

BALANCE SHEET
AS AT MARCH 31, 1995

ASSETS	1995	1994
	$	$
Current		
Cash and short-term investments	311,167	1,908,213
Parliamentary appropriation receivable	1,321,900	
Accounts receivable	575,992	255,556
Interest receivable (Note 4)	19,976	29,206
Inventories	16,965	25,385
Prepaid expenses	30,822	29,810
	2,276,822	2,248,170
Loans (Note 4)	1,796,389	1,714,600
Investments (net of allowance of $380,000; 1994: $380,000)	380,000	330,000
Capital assets (Note 5)	89,264	61,291
	4,542,475	4,354,061

LIABILITIES	1995	1994
	$	$
Current		
Accounts payable and accrued liabilities	1,540,666	1,399,358
Provision for environmental cleanup	180,000	173,985
Provision for employee termination benefits	260,029	129,301
	1,980,695	1,702,644
Long-term		
Provision for employee termination benefits	336,292	249,525
	2,316,987	1,952,169
EQUITY		
Equity of Canada	2,225,488	2,401,892
	4,542,475	4,354,061

Guarantee (Note 7)
Commitments (Note 8)

Approved by the Board of Directors:

CHARLES T. SMITH
Director

GREG MacKENZIE
Director

ENTERPRISE CAPE BRETON CORPORATION—*Continued*

STATEMENT OF EQUITY FOR THE YEAR ENDED MARCH 31, 1995

	1995	1994
	$	$
Equity at beginning of the year	2,401,892	2,524,900
Parliamentary appropriation (Note 6)	15,561,900	9,825,000
	17,963,792	12,349,900
Less:		
Net cost of operations	15,738,304	9,948,008
Equity at end of the year	2,225,488	2,401,892

STATEMENT OF OPERATIONS FOR THE YEAR ENDED MARCH 31, 1995

	1995	1994
	$	$
Development activities		
Small Business	4,016,705	2,539,641
Tourism and Crafts	3,290,655	2,494,856
Strategic Initiatives	2,691,560	1,339,810
Primary industries	1,706,359	1,445,142
Technology	1,299,150	679,568
General development	721,486	770,446
Rental facilities	658,474	536,217
Provision for doubtful loans and interest	341,621	27,032
Recoveries of doubtful loans and interest	(189,747)	(288,576)
	14,536,263	9,544,136
Administrative expenses	1,546,268	1,280,696
Communications	216,158	195,730
Amortization	170,559	133,450
Restructuring (Note 3)	191,576	
Merger expense reversal		(102,480)
	2,124,561	1,507,396
Total expenses	16,660,824	11,051,532
Income		
Rental facilities	636,831	681,673
Loan and investment interest	199,894	226,301
Other interest	74,535	67,725
Gain on disposal of capital assets	11,260	127,825
Total income	922,520	1,103,524
Net cost of operations	15,738,304	9,948,008

STATEMENT OF CHANGES IN FINANCIAL POSITION FOR THE YEAR ENDED MARCH 31, 1995

	1995	1994
	$	$
Financing activities		
Parliamentary appropriation	15,561,900	9,825,000
Decrease (increase) in parliamentary appropriation receivable	(1,321,900)	1,550,000
Proceeds remitted to the Consolidated Revenue Fund		(27,298)
Cash provided by financing activities	14,240,000	11,347,702
Operating activities		
Net cost of operations	(15,738,304)	(9,948,008)
Charges (credits) not affecting cash		
Amortization	170,559	133,450
Gain on disposal of capital assets	(11,260)	(127,825)
Increase in provision for employee termination benefits	217,495	4,003
Loan forgiveness	81,784	16,060
Provision for doubtful loans	197,270	3,898
	(15,082,456)	(9,918,422)
Increase in non-cash operating working capital	(156,475)	(564,397)
Employee termination benefit payments		(117,511)
Cash used in operating activities	(15,238,931)	(10,600,330)
Investing activities		
Loan advances	(625,767)	(84,965)
Loan repayments	264,924	359,415
Purchase of investments	(50,000)	
Purchase of capital assets	(198,532)	(194,740)
Proceeds from disposal of capital assets	11,260	127,825
Cash provided by (used in) investing activities	(598,115)	207,535
Increase (decrease) in cash and short-term investments	(1,597,046)	954,907
Cash and short-term investments at beginning of the year	1,908,213	953,306
Cash and short-term investments at end of the year	311,167	1,908,213

ENTERPRISE CAPE BRETON CORPORATION—*Continued*

NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 1995

1. The Corporation

Authority and objectives

Enterprise Cape Breton Corporation (ECBC or the Corporation) was established pursuant to the *Enterprise Cape Breton Corporation Act* (Part II of the *Government Organization Act, Atlantic Canada, 1987*) which was proclaimed on December 1, 1988. The Corporation is an agent Crown corporation listed in Schedule III, Part I of the *Financial Administration Act* and is not subject to the provisions of the *Income Tax Act*. Its objects, as stated in its enabling legislation, are:

> to promote and assist either alone or in conjunction with any person or the Government of Canada or of Nova Scotia or any agency of either of those governments, the financing and development of industry on the Island of Cape Breton to provide employment outside the coal producing industry and to broaden the base of the economy of the Island.

2. Significant accounting policies

(a) Parliamentary appropriation

Parliamentary appropriation is recorded on the accrual basis when approved by Parliament with drawdowns based on cash requirements.

(b) Loans

Loans are recorded at the lower of cost and estimated net realizable value. Certain loans may include interest which has been capitalized as principal due to the restructuring of the terms of the loan contract.

(c) Allowances for doubtful and forgivable loans

The allowance for doubtful loans represents management's best estimate of probable losses on specific loans outstanding at the end of the year. The allowance is based on a periodic evaluation of the loan portfolio in which numerous factors are considered, including the period of delinquency, market conditions, financial viability of the business and managerial capabilities. A general allowance is included to account for any unexpected delinquencies that may occur throughout the year based on past experience. Management has estimated the effect of these risks and uncertainties when determining the allowance for doubtful loans. Doubtful loans may be reinstated to an accrual status when, in management's opinion, the ultimate collectability of principal and interest is reasonably assured.

Certain loans are subject to terms of forgiveness as stipulated in the loan contract. The amount eligible for forgiveness is charged to operations when the loan is issued.

Actual loan losses are charged to operations while recoveries are credited to operations. Adjustments of the allowances for doubtful and forgivable loans to the level regarded by management as being appropriate are charged to operations.

(d) Investments

The Corporation has preferred equity holdings as well as partnership interests. These investments are subject to restrictive terms of agreement and are shown at cost net of allowance for doubtful investments.

(e) Interest income

Interest income is recorded on the accrual basis until such time as management determines that a loan should be classified as doubtful. When a loan is classified as doubtful, uncollected interest for the current year and previous years is charged to the provision for doubtful loans and interest.

Interest payments subsequently received on doubtful loans are recorded as interest income on a cash basis.

(f) Capital assets

Capital assets are recorded at lower of cost less accumulated amortization and net realizable value. Amortization is provided over the estimated useful lives of the capital assets using the straight-line method at the rates indicated below:

Buildings	up to 25 years
Equipment and furniture	4 to 10 years
Computer equipment and software	5 years
Leasehold improvements	up to 20 years
Vehicles	3 or 4 years

(g) Pension plan

All eligible employees participate in the Public Service Superannuation Plan administered by the Government of Canada. Contributions to the Plan are required equally from the employees and the Corporation. These contributions are expensed during the year in which the services are rendered and represent the total pension obligations of the Corporation.

(h) Termination benefits

Upon termination of employment, employees are entitled to certain benefits provided for under their conditions of employment. The cost of these benefits is expensed in the year in which they are earned.

(i) Provision for environmental cleanup

The provision for environmental cleanup represents management's best estimate of the cost to cleanup properties that contain environmental contaminants. Management monitors the progress of its cleanup activities and any changes in the estimated cost are recognized when they can be reasonably determined.

3. Restructuring

On February 28, 1995, the Corporation announced plans to reduce the number of employees as part of a plan to restructure its operations. The additional cost for the termination of these employees is estimated to be $191,576 as at March 31, 1995 and is provided for in these financial statements.

ENTERPRISE CAPE BRETON CORPORATION—*Continued*

NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 1995—*Continued*

4. Loans

An analysis of the loan balance outstanding at March 31 is as follows:

Annual interest rate	1995	1994
	$	$
0 percent	2,677,942	1,275,336
Less than 8 percent	561,875	191,927
8 - 9.95 percent	122,320	208,910
10 - 11.88 percent	150,143	1,707,465
12 percent and over	248,013	270,842
	3,760,293	3,654,480
Less: allowance for doubtful loans	1,143,139	1,862,948
allowance for forgivable loans	820,765	76,932
	1,796,389	1,714,600

Amounts due by fiscal year based on loan terms are as follows:

	1995	1994
	$	$
Principal past due	134,602	274,321
1995		381,970
1996	524,861	328,804
1997	1,231,504	328,102
1998	187,102	328,883
1999	1,190,597	1,313,163
2000	192,671	242,732
2001 and beyond	298,956	456,505
	3,760,293	3,654,480
Interest receivable—		
Current	97,239	67,328
Arrears	12,983	31,002
	110,222	98,330
Less: allowance for doubtful interest	21,551	58,043
allowance for forgivable interest	68,695	11,081
	19,976	29,206

5. Capital assets

	1995			1994
	Cost	Accumulated amortization and write downs	Net book value	Net book value
	$	$	$	$
Land for development	532,441	532,440	1	1
Equipment, furniture, leaseholds	995,183	905,920	89,263	52,496
Rental facilities	14,282,748	14,282,748		
Agriculture and forestry facilities	1,197,049	1,197,049		8,794
	17,007,421	16,918,157	89,264	61,291

ENTERPRISE CAPE BRETON CORPORATION—*Concluded*

NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 1995—*Concluded*

6. Funding from Government of Canada

The Government of Canada approved a parliamentary appropriation in the amount of $15,861,900 (1994—$9,825,000) of which the Corporation utilized $15,561,900 (1994—$9,825,000) the result of a $300,000 expenditure reduction requested by the Treasury Board of Canada to implement the 1994 budget decision to reduce transfers to business and other grants and contributions.

7. Guarantee

During 1976, the Industrial Development Division of the Cape Breton Development Corporation guaranteed the repayment by Sydney Steel Corporation of that Corporation's $70,000,000 11 1/4 percent Series D Debentures and the repayment of interest thereon. These funds were borrowed by Sydney Steel Corporation for the purpose of financing its plant rehabilitation program. The balance of the outstanding debentures has since been reduced to $7,210,000 (1994—$11,060,000). The Corporation assumed this guarantee as the successor to the Industrial Development Division of the Cape Breton Development Corporation.

8. Commitments

As at March 31, 1995 the Corporation had outstanding commitments for development programs in the amount of $12,460,911 (1994—$4,327,799).

9. Related party transactions

The Corporation had transactions with the Atlantic Canada Opportunities Agency during the year in respect of salaries, professional and other services totalling $389,629 (1994—$348,223). The amount included in accounts receivable was $313,073 (1994—$86,083). Transactions with other government agencies totalled $202,715 (1994—$137,593).

10. Comparative figures

Certain of the comparative figures have been reclassified to conform to the presentation adopted for the current year.

EXPORT DEVELOPMENT CORPORATION

FINANCIAL REPORTING RESPONSIBILITY

The Financial Statements contained in this Annual Report have been prepared by Management in accordance with accounting principles generally accepted in Canada and have been consistently applied. The integrity and objectivity of the data in these Financial Statements are Management's responsibility. The Financial Statements include some amounts, such as the allowances for losses on loans and claims, that are necessarily based on Management's best estimates and judgment. Management is also responsible for all other information in the Annual Report and for ensuring that this information is consistent, where appropriate, with the information and data contained in the Financial Statements. In support of its responsibility, Management maintains financial and management control systems and practices to provide reasonable assurance that the financial information is reliable, that the assets are safeguarded and the operations are carried out effectively. The Corporation has an internal audit department whose functions include reviewing internal controls and their application, on an ongoing basis.

The Board of Directors is responsible for ensuring that Management fulfills its responsibilities for financial reporting and internal control and exercises this responsibility through the Audit Committee of the Board, which is composed of Directors who are not employees of the Corporation. The Audit Committee meets with Management, the internal auditors and the Auditor General of Canada on a regular basis.

The Board of Directors of EDC is responsible for all business undertaken by the Corporation. Contracts which, in the opinion of the Board of Directors, involve risks for a term or an amount in excess of that which the Corporation would normally undertake, may be entered into under the authority of the Governor General in Council where the Minister considers them to be in the national interest. The Board of Directors has the predominant role in the management of this program and is solely responsible for its administration. Funds required for such contracts are paid to the Corporation by Canada, and funds recovered are remitted to Canada, net of amounts withheld to cover related administrative expenses. The administration of accounts on behalf of Canada is shown in Note 16 to the Corporation's Financial Statements.

The Auditor General of Canada conducts an independent audit, in accordance with generally accepted auditing standards, and expresses his opinion on the Financial Statements. His report is presented on the following page.

Paul Labbé
President and Chief Executive Officer

M.D.J. Bakker
Executive Vice-President and Chief Financial Officer

AUDITOR'S REPORT

TO THE MINISTER FOR INTERNATIONAL TRADE

I have audited the balance sheet of the Export Development Corporation as at December 31, 1994 and the statements of income and retained earnings and changes in financial position for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 1994 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles. As required by the *Financial Administration Act*, I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Corporation that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Export Development Act* and regulations and the by-laws of the Corporation.

Wm. F. Radburn, FCA
Assistant Auditor General
for the Auditor General of Canada

Ottawa, Canada
January 25, 1995

EXPORT DEVELOPMENT CORPORATION—*Continued*

BALANCE SHEET AS AT DECEMBER 31, 1994
(in millions of dollars)

ASSETS	1994	1993
Investments (Note 3)	1,097	2,085
Accrued interest	20	29
	1,117	2,114
Net loans receivable (Notes 4, 5, 6 and 12)	8,037	6,827
Accrued interest and fees	160	98
	8,197	6,925
OTHER		
Recoverable insurance claims (Note 9)	13	22
Unamortized discount, issue expenses and other assets	48	93
	61	115
	9,375	9,154

LIABILITIES	1994	1993
Loans payable (Note 10)		
Short term	1,447	2,398
Long term	6,213	5,226
	7,660	7,624
Accrued interest	141	174
	7,801	7,798
OTHER LIABILITIES AND DEFERRED REVENUES		
Accounts payable	58	102
Deferred insurance premiums	18	16
Allowance for claims on insurance and guarantees (Note 9)	149	111
Deferred loan revenues and other credits	258	232
	483	461
SHAREHOLDER'S EQUITY		
Share capital (Note 11)	813	788
Retained earnings	278	107
	1,091	895
	9,375	9,154

Loan Commitments and Insurance and Guarantees (Notes 7 and 8)

Approved by the Board of Directors

W.R.C. BLUNDELL
Director

M.D.J. BAKKER
Chief Financial Officer

PAUL LABBÉ
Director

EXPORT DEVELOPMENT CORPORATION—*Continued*

STATEMENT OF INCOME AND RETAINED EARNINGS
FOR THE YEAR ENDED DECEMBER 31, 1994
(in millions of dollars)

	1994	1993
Loans		
Interest earned	553	473
Debt relief arrangements (Note 12)	151	25
Fees earned	51	58
	755	556
Less: provision for losses on loans	140	156
	615	400
Insurance		
Premiums and fees earned	51	51
Less: provision for claims on insurance	40	25
	11	26
Investment revenue earned	38	92
	664	518
Interest expense		
Long term	388	373
Short term	49	54
	437	427
Administrative expenses	56	50
	493	477
Net income	171	41
Retained earnings		
Beginning of year	107	91
Dividends paid		25
End of year	278	107

STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED DECEMBER 31, 1994
(in millions of dollars)

	1994	1993
Operating activities		
Net income	171	41
Items not affecting cash		
Provision for losses on loans	140	156
Provision for claims	40	25
Accrued interest and fees	(89)	13
Other changes	36	15
Cash provided	298	250
Lending activities		
Loans receivable disbursed	(2,444)	(1,365)
Loans receivable repaid	1,672	1,395
Items not affecting cash		
Net increase in deferred revenue	19	52
Interest rescheduled	(189)	(1)
Loans interest and expenses reversed	(3)	(32)
Cash provided (used)	(945)	49
Financing activities		
Issue of long term loans payable	1,518	2,193
Repayment of long term loans payable	(1,891)	(955)
Decrease in short term loans payable	(114)	(617)
Issue of share capital	25	
Dividends paid		(25)
Cash provided (used)	(462)	596
Increase (decrease) in cash and marketable securities	(1,099)	699
Increase (decrease) in long term investment	(10)	196
Foreign exchange on opening balance of investments	121	31
Investments		
Beginning of year	2,085	1,159
End of year	1,097	2,085

EXPORT DEVELOPMENT CORPORATION—*Continued*

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1994

1. CORPORATE MANDATE AND ACTIVITIES

Export Development Corporation ("The Corporation") was established on October 1, 1969 by the *Export Development Act* ("The Act"), a statute of the Parliament of Canada which was amended on June 10, 1993. The Corporation was created as an agent of Her Majesty in right of Canada for the purposes of supporting and developing, directly or indirectly, Canada's export trade and Canadian capacity to engage in that trade and to respond to international business opportunities. This Act as amended gives EDC the flexibility to consider a wider range of options to meet the needs of Canadian exporters and those investing in foreign markets. The Corporation is accountable for its affairs to Parliament through the Minister for International Trade.

The earnings of the Corporation are not subject to the requirements of the *Income Tax Act.*

The Corporation is subject to a limit imposed by the Act on its contingent liability programs. The Act specifies that the Corporation's contingent liabilities in respect of the principal amounts owing under all outstanding arrangements shall at no time exceed $15 billion, an amount equal to ten times the authorized capital of the Corporation. As at December 31, 1994, the position against this limit is $7.5 billion (1993—$6.9 billion).

As an agent of Her Majesty in right of Canada, the payment of all moneys borrowed by EDC and interest thereon and of the principal of and interest on all securities issued by EDC is a charge on and payable out of the Consolidated Revenue Fund of Canada under the *Financial Administration Act* of Canada. The Act allows the Corporation to borrow up to a maximum of fifteen times the aggregate of its paid-in capital from time to time and the retained earnings determined in accordance with the most recent audited Financial Statements. This limit for borrowing is $13.4 billion (1993—$13.2 billion), against which borrowings amounted to $7.7 billion (1993—$7.6 billion).

The Corporation enters into transactions with other Government departments, agencies, and Crown Corporations in the normal course of business.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
INVESTMENTS

Investments which are being held to maturity are carried at cost. Gains and losses on these investments are recognized in income only when they are realized and the asset is removed from the balance sheet. The unrealized gains and losses arising from investments which are carried at market value are included in investment revenue earned.

NET LOANS RECEIVABLE

Interest income is accrued on loans classified as performing. Non-performing indicates a significant doubt regarding the short to medium term collectibility or a lack of significant payment for 180 days; interest thereon is not recorded for accounting purposes.

Gross loans receivable have been reduced by the allowance for losses on loans and by the non-accrued capitalized interest. Renegotiations of non-performing loans result in rescheduling agreements.

LOAN INTEREST AND FEES

Loan interest is recorded on the accrual basis until such time as Management determines that a loan should be classified as non-performing. Subsequently, when a loan is classified as non-performing, the Corporation reverses previously accrued interest against the allowance for losses on loans.

Any interest payment on a non-performing loan is recorded as interest income when received.

A non-performing loan is restored to an accrual basis after a pattern of regular payments has been established, normally after three years. When the Corporation restores the loan to an accrual basis, previously non-accrued capitalized interest is recognized over the remaining life of the loan.

Loan fees are normally taken into income over the disbursement and repayment periods of the related loan.

DEBT RELIEF ARRANGEMENTS

In accordance with the terms of multilateral debt reduction and debt service agreements between the Government of Canada and sovereign borrowers, the Corporation accrues as interest revenue amounts due from the Government including interest for debt service agreements, and previously non-accrued capitalized interest for debt reduction agreements.

ALLOWANCE FOR LOSSES ON LOANS

The allowance for losses on loans is based on a review of collectibility of all loans to commercial and sovereign borrowers.

As the result of the review of all loans to commercial borrowers, the Corporation charges to income an amount sufficient to specifically provide for potential losses on the commercial loans receivable portfolio to reflect the impairment of the related commercial loan assets.

The Corporation also sets aside a general allowance based on Management's best estimates of potential losses on the commercial and sovereign loans receivable portfolio for which no specific provision has been made.

It is Management's opinion, based on the Corporation's experience, that except in the rare instances of outright repudiation or the write-off of asset value agreed to by creditors, the ultimate collectibility of a sovereign obligation is not subject to question although indefinite delays in repayment of principal and interest may have to be accepted.

RECOVERABLE INSURANCE CLAIMS

Recoverable insurance claims payments are recorded at estimated recoverable values. Subsequent net gains or losses on recovery are credited or charged to the allowance for claims on insurance and guarantees.

ALLOWANCE FOR CLAIMS ON INSURANCE AND GUARANTEES

The allowance for claims on insurance and guarantees is based on an actuarial review of net loss experience and potential net losses and represents Management's best estimate of the liability under existing policies and guarantees.

EXPORT DEVELOPMENT CORPORATION—*Continued*

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1994—*Continued*

INSURANCE PREMIUMS

For short term insurance policies, premiums are taken into income at the commencement of coverage. Premiums on other export insurance policies are taken into income using methods which generally reflect the exposures over the terms of the policies. Reinsurance premiums and recoveries on losses incurred are recorded as reductions of the respective income and balance sheet accounts. Unearned premiums on insurance transferred to reinsurers and estimates of amounts recoverable from reinsurers on unpaid claims are deducted from deferred premiums and recoverable claims respectively.

INTEREST EXPENSE

Interest expense includes hedging expenses, costs of issuing derivative financial instruments, and the amortization of debt discount and issue expenses which are charged to income over the life of the related debt.

TRANSLATION OF FOREIGN CURRENCY

The Corporation hedges its U.S. dollar assets and liabilities on a total portfolio basis. Any net exposure to future changes in the U.S. dollar foreign exchange rate is due to short term timing differences in cash flows. It is the Corporation's policy to manage assets and liabilities denominated in U.S. dollars in such a way as to minimize this net exposure. Assets and liabilities in foreign currencies other than U.S. dollars are also normally hedged to minimize exposures. All assets and liabilities denominated in foreign currencies are translated into Canadian dollars at exchange rates prevailing at year end.

Income and expenses are translated at daily exchange rates in effect during the year.

Exchange gains and losses resulting from the translation of foreign currency balances and transactions are reported with investment revenue earned.

OTHER FINANCIAL INSTRUMENTS

The Corporation uses a variety of off-balance sheet derivative financial instruments, such as forward exchange contracts, currency swaps, interest rate swaps, options (caps and floors used as options), and futures, to reduce market risks and funding costs.

Gains or losses arising from transactions designated as hedges are deferred and recognized in income over the remaining life of the hedged item. The costs of issuing these instruments are included in interest expense.

3. INVESTMENTS

The Corporation maintains a liquidity position in various instruments to meet its general operating requirements.

	1994	1993
	(in millions of dollars)	
Cash and short term deposits	284	792
Marketable securities[1]	627	1,097
Long term investment[2]	186	196
	1,097	2,085

(1) Includes investments carried at cost totalling $463 million (1993—$nil). The market value of these investments as at December 31, 1994 is $450 million.

(2) Related Party Transaction: (Promissory Notes, Ridley Terminals Inc., maturing 1998) carried at cost.

EXPORT DEVELOPMENT CORPORATION—*Continued*

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1994—*Continued*

4. NET LOANS RECEIVABLE
(in millions of dollars)

Loans receivable mature as follows:

	1994			1993		
	Fixed	Floating	Total	Fixed	Floating	Total
Overdue	7	14	21	4	7	11
1994				580	423	1,003
1995*	522	875	1,397	519	212	731
1996	537	301	838	421	191	612
1997	448	323	771	371	207	578
1998	428	268	696	347	158	505
1999	363	246	609	279	131	410
2000 and thereafter	1,720	1,251	2,971	1,114	331	1,445
Non-performing	394	2,204	2,598	659	2,467	3,126
Total gross loans receivable	4,419	5,482	9,901	4,294	4,127	8,421
Less: non-acrued capitalized interest for:						
— Non-performing loans	5	749	754	1	842	843
— Performing loans		175	175			
Subtotal	4,414	4,558	8,972	4,293	3,285	7,578
Less: allowance for losses on loans			935			751
Net loans receivable			8,037			6,827

*Includes amounts owing by the Government of Canada of $359 million (1993—$0) for debt relief arrangements.

At December 31, 1994, the Corporation's performing loans receivable carry the following estimated effective yield:

	1994		1993	
		%		%
Commercial				
—Fixed(1)	995	9.12	780	8.98
—Floating(2)	1,231	1.14	704	1.05
Subtotal	2,226		1,484	
Sovereign				
—Fixed(1)	3,030	9.27	2,855	9.82
—Floating(2)	2,047	0.88	956	1.32
Subtotal	5,077		3,811	
Total performing	7,303		5,295	

(1) Computed on a weighted average basis.

(2) Spread over floating interest rates represented mainly by LIBOR for U.S. Dollars and Prime for Canadian Dollars.

Performing gross loans receivable by risk categories are as follows:

	1994	1993
Commercial risk		
Best risk	1,105	891
Good risk	546	334
Increased risk	236	236
Performing watch risk	339	23
Subtotal	2,226	1,484
Sovereign risk		
Best risk	359	
Good risk	2,315	1,471
Increased risk	1,020	1,706
Performing watch risk	1,383	634
Subtotal	5,077	3,811
Total performing	7,303	5,295

EXPORT DEVELOPMENT CORPORATION—*Continued*

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1994—*Continued*

5. NON-PERFORMING LOANS RECEIVABLE

The Corporation has $2,598 million non-performing gross loans receivable (1993—$3,126 million) of which $2,508 million is sovereign (1993—$3,038 million) and $90 million is commercial (1993—$88 million). The largest concentrations of non-performing loans are as follows:

	1994			1993		
	Gross loans receivable	Non-accrued capitalized interest*	Non-accrued interest	Gross loans receivable	Non-accrued capitalized interest*	Non-accrued interest
	(in millions of dollars)					
Sovereign						
Peru	571	306	6	507	254	23
Brazil	442	48	53	443	46	40
Cameroon	367	102	11	294	48	39
Argentina	280	77	5			
Côte d'Ivoire	264	90	6			
Poland				488	234	6
Egypt				322	59	8
Other	584	131	102	984	202	157
	2,508	754	183	3,038	843	273
Commercial						
Financial institutions, Yugoslavia	90		36	88		24
Total non-performing	2,598	754	219	3,126	843	297

*Amounts are included in gross loans receivable.

During 1994, interest not accrued during the year for non-performing loans is $185 million (1993—$176 million). The Corporation received interest payments of $79 million in 1994 (1993—$70 million) from loans designated as non-performing and these payments are recognized as interest earned when received.

The largest receipts from sovereign borrowers are as noted:

	1994	1993
	(in millions of dollars)	
Brazil	20	22
Argentina	12	10
Egypt	11	13
Peru	9	11
Gabon	8	
Poland		5
Other countries	19	9
Total	79	70

EXPORT DEVELOPMENT CORPORATION—*Continued*

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1994—*Continued*

6. ALLOWANCE FOR LOSSES ON LOANS
(in millions of dollars)

The allowance for losses on loans is as follows:

	1994			1993		
	Sovereign	Commercial	Total	Sovereign	Commercial	Total
General allowance	774	94	868	640	49	689
Specific		67	67		62	62
Total	774	161	935	640	111	751

During the year, changes to the allowance for losses on loans are as follows:

	1994	1993
Balance at beginning of year	751	609
Provision for losses on loans	140	156
Interest reversals for non-performing loans	(3)	(30)
Write-offs		(1)
Recoveries	5	
Foreign exchange	42	17
Balance at end of year	935	751

7. LOAN COMMITMENTS

The Corporation had undisbursed commitments of $2,357 million (1993—$3,238 million). The undisbursed loan commitments by risk categories are as follows:

	1994	1993
	(in millions of dollars)	
Commercial risk		
Best risk	646	751
Good risk	327	822
Increased risk	36	137
Performing watch risk	242	9
Subtotal	1,251	1,719
Sovereign risk		
Best risk		
Good risk	423	721
Increased risk	428	652
Performing watch risk	255	146
Subtotal	1,106	1,519
Total	2,357	3,238

The Corporation expects to fund these undisbursed commitments near the time of their disbursement, typically over a three year period, by issuing a combination of debt instruments in world capital markets at commercial rates of interest and capital stock. The Corporation generally attempts to match debt maturities and currencies with those of its loans on a portfolio basis.

The estimated effective yield of undisbursed commitments is as follows:
(in millions of dollars)

	1994		1993	
		%		%
Commercial				
—Fixed(1)	189	8.79	353	9.60
—Floating(2)	1,062	0.80	1,366	0.56
Subtotal	1,251		1,719	
Sovereign				
—Fixed(1)	783	8.54	1,183	8.41
—Floating(2)	323	2.56	336	2.66
Subtotal	1,106		1,519	
Total	2,357		3,238	

(1) Computed on a weighted average basis.
(2) Spread over floating interest rates represented mainly by LIBOR for U.S. Dollars.

EXPORT DEVELOPMENT CORPORATION—*Continued*

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1994—*Continued*

8. INSURANCE AND GUARANTEES

The Corporation has insurance policies in force and guarantees outstanding of $5,340 million (1993—$4,552 million). These insurance policies and guarantees mature as follows:

	1994	1993
	(in millions of dollars)	
Short term program	3,200	2,568
Medium term program		
1994		735
1995	571	168
1996	209	141
1997	214	166
1998	34	22
1999	220	108
2000 and thereafter	892	644
Total	5,340	4,552

The major concentrations by location of ultimate risk are as follows:

	1994			1993		
	Medium term	Short term	Total	Medium term	Short term	Total
	(in millions of dollars)					
Mexico	17	868	885	16	541	557
U.S.	34	834	868	20	692	712
Turkey	267	117	384	203	103	306
Brazil	2	287	289			
Malaysia	195	28	223			
Iran				148	78	226
Japan					224	224
Other	1,625	1,066	2,691	1,597	930	2,527
Total	2,140	3,200	5,340	1,984	2,568	4,552

The breakdown by industry sector is as follows (%):

	1994			1993		
	Medium term	Short term	Total	Medium term	Short term	Total
Forestry		35	21		33	19
Base/semi-manufactured goods	2	19	12	4	19	12
Consumer goods/sales	10	29	21	9	35	24
Information technology	7	8	8	7	6	6
Financial institutions	23	2	10	20	1	10
Industrial equipment	6	3	5	12	3	7
Transportation	17	2	8	19	2	10
Construction/engineering	31	2	13	23	1	10
Energy	4		2	6		2
Total	100	100	100	100	100	100

EXPORT DEVELOPMENT CORPORATION—*Continued*

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1994—*Continued*

Of the $5,340 million (1993—$4,552 million) insurance policies in force and guarantees, the following policy types were supported:

	1994	1993
	(in millions of dollars)	
Credit insurance	3,028	2,441
Performance security	572	435
Surety	148	159
Bulk		
agriculture	617	694
Foreign investment insurance	732	596
Loans guarantees	243	227
Total	5,340	4,552

Reinsurance of $70 million has been deducted from the insurance policies in force. This amount represents reinsurance with Multilateral Investment Guarantee Agency (MIGA) for three foreign investment insurance policies in Guyana.

9. RECOVERABLE INSURANCE CLAIMS AND ALLOWANCE FOR CLAIMS

In 1994, the Corporation paid claims on insurance of $47 million (1993—$48 million), and recovered claims of $38 million (1993—$22 million). In addition, claim payments of $13 million were rescheduled ($7 million in Algeria, $3 million in Russia and $3 million in Congo).

Of the $47 million claim payments in 1994, 93 percent were related to the short term program. The largest concentrations of claim payments were in the following countries:

	1994		1993	
	Claims Paid	Claims Recovered	Claims Paid	Claims Recovered
	(in millions of dollars)			
Iran	21	23	19	16
Algeria	7			
U.S.	6	2	10	3
Cuba	5	12	8	
Mexico	3			
Belgium			3	
Bulgaria			3	
Other	5	1	5	3
Total	47	38	48	22

The breakdown of the $47 million in claim payments by industry sector is as follows (%):

	1994	1993
Forestry	24	33
Base/semi-manufactured		
goods	5	5
Consumer goods and sales	30	15
Information technology		2
Financial institutions	26	15
Industrial equipment	13	18
Transportation	1	6
Construction/engineering	1	6
Total	100	100

During the year, changes to the claims allowance were as follows:

	1994	1993
	(in millions of dollars)	
Balance at beginning of year	111	97
Provision for claims	40	25
Claims recovery expenses	(1)	(1)
Re-evaluation of recoverable		
claims	(5)	(13)
Foreign exchange	4	3
Balance at end of year	149	111

10. LOANS PAYABLE

The Corporation issues debt instruments in world capital markets at commercial rates of interest. Long term instruments are issued by the Corporation in Canadian Dollars, U.S. Dollars and third currencies. The Corporation utilizes Currency Swaps to convert foreign denominated fixed rate notes primarily to U.S. Dollars. Interest Rate Swaps are utilized to convert fixed rate instruments to floating rate at rates primarily related to LIBOR.

Total loans payable mature as follows:

	1994	1993
	(in millions of dollars)	
Within 12 months:		
—Fixed Rate	67	617
—Floating Rate	1,380	1,781
1995		154
1996	1,031	721
1997	512	235
1998	1,542	1,521
1999	842	728
2000 and thereafter	2,286	1,867
Total	7,660	7,624
Loans included above at fixed rates (effective interest rate 7.47%; 1993—7.44%)	3,213	4,295
Floating rate loans, fixed rate loans swapped to floating rate, and short term fixed rate revolving loans (effective interest rate 5.32%; 1993—3.08%)	4,447	3,329

11. SHARE CAPITAL

The authorized share capital is $1.5 billion consisting of 15 million shares with a par value of $100 each. The number of shares issued and fully paid is 8.1 million (1993—7.9 million). During 1994, the Corporation issued 250 thousand shares (1993—no shares).

EXPORT DEVELOPMENT CORPORATION—*Continued*

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1994—*Continued*

12. RELATED PARTY TRANSACTIONS

As an export credit agency and an agent of Her Majesty in right of Canada, the Corporation benefits from Canada's membership in the Paris Club, an international group, formed to deal on a multilateral basis with payment difficulties experienced by sovereign entities. Through the auspices of this Club and with subsequent negotiation, rescheduling agreements are arranged in conjunction with the implementation of International Money Fund disciplines to alleviate these payment problems.

The Government of Canada is of the view that the evolution of the international debt strategy could lead to multilateral agreements to provide debt and debt service reduction by creditor governments in order to facilitate approved economic adjustment programs by certain debtor countries. The Government of Canada has undertaken to compensate the Corporation fully for any financial consequences arising from the Government's participation in multilateral activities to provide debt and debt service reduction.

During 1994, the Government of Canada entered into new agreements for debt relief with Poland and Egypt. Previous debt relief arrangements were changed from assistance with payment of interest to actual reduction of the principal amount of debt. Consequently, the Corporation has recognized revenue of $120 million (1993—$0), pursuant to debt reduction agreements, and $31 million (1993—$25 million) pursuant to debt service agreements. Loan principal which would have otherwise been paid by debtor countries has now been reclassified as receivable from Canada. As a result of these transactions, an amount of $359 million (1993—$0) due from the Government of Canada is included in net loans receivable.

13. FOREIGN CURRENCY BALANCES

The Corporation has substantial assets and liabilities in U.S. dollars and in other currencies. The Canadian dollar equivalent after taking into consideration foreign exchange contracts is as follows:

	1994	1993
	(in millions of dollars)	
Deutsche Marks		
Assets	333	204
Liabilities	469	384
Net balance	(136)	(180)
Rate of exchange DM 1.00	0.9053	0.7611
European currency units		
Assets	259	277
Liabilities	170	159
Net balance	89	118
Rate of exchange ECU 1.00	1.7191	1.4736
Swiss francs		
Assets	3	19
Liabilities	3	55
Net balance		(36)
Rate of exchange SF 1.00	1.0712	0.8901
U.S. dollars		
Assets	7,428	7,292
Liabilities	7,361	7,294
Net balance	67	(2)
Rate of exchange U.S. $1.00	1.4028	1.3240
Other currencies		
Assets	54	5
Liabilities	49	4
Net balance	5	1

EXPORT DEVELOPMENT CORPORATION—*Concluded*

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1994—*Concluded*

14. FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK

In any transaction there is always an inherent risk of loss. These risks may be classified as credit risks, wherein the counterparty to a transaction does not perform as agreed, or market risks where an exposure exists as a result of changes in foreign exchange and/or interest rates.

The Corporation manages its exposure to credit risk by dealing only with financial institutions having original credit ratings of A for terms three years and under, and AA for terms greater than three years. Internal procedures establish proper credit approvals, controls and monitoring. The Corporation does not anticipate any significant non-performance by the counterparties due to the control procedures in place.

The breakdown of counterparty exposures is as follows, using internationally accepted ratings assigned by authoritative sources.

	1994	1993
	(in millions of dollars)	
AAA	15	18
AA1		151
AA2	11	201
AA3	216	524
A1	105	295
A2		
A3	2	
Total	349	1,189

To limit its exposure to market risk, and to reduce its funding costs, the Corporation uses hedges and derivative financial instruments with off-balance sheet risk. Financial instruments, mostly in U.S. dollars, with contractual or notional principal amounts outstanding as at December 31, 1994 were as follows:

	1994	1993
	(in millions of dollars)	
Foreign exchange contracts	1,640	1,415
Currency swaps	1,684	1,605
Interest rate swaps	2,464	2,589
Interest rate caps sold, exposure until 1998 (U.S.$)	350	350
Interest rate options written, exposure to 1998 (U.S.$)	800	800
Forward rate agreements	10	

Credit risks inherent in the hedges, derivative financial instruments and investments have been estimated not to exceed $13 million. Accordingly, an allowance for credit risk of $13 million (1993—$13 million) has been established. This amount is included in the Accounts Payable.

15. EXECUTIVE REMUNERATION

The Corporation has six executive officers. In addition to the cash remuneration of $825,000, executives were provided with various benefits which were beyond those provided as standard to all Corporation employees. These additional benefits which included corporate automobile allowances and financial counselling are valued at approximately $60,000.

16. ACCOUNTS ADMINISTERED FOR CANADA

(a) Pursuant to the Act, the Corporation administers for Canada certain loans and contingent liability programs entered into under the authority of the Minister for International Trade with the concurrence of the Minister of Finance for which the Board of Directors is only responsible for the management and administration of the program. These accounts are maintained separately from the Corporation's accounts, and are consolidated annually as at March 31 with the financial statements of the Government of Canada which are reported upon separately by the Auditor General of Canada. The assets administered for Canada, mainly loans receivable and accrued interest and fees recorded in accordance with accounting policies and practices approved by the Government of Canada, amounted to $2,641 million (1993—$2,333 million).

(b) Statutory limits, loan and loan commitments, and contingent liability programs in force

The Act allows the Accounts administered for Canada to have outstanding loans and commitments to foreign borrowers, and liabilities under contracts of insurance and other agreements up to a maximum of $13 billion. The position against this limit, determined in accordance with the requirements of the Act, is $4,134 million (1993—$3,976 million).

(c) The Corporation received reimbursement of expenses and administration fees from Canada of $14 million (1993—$13 million).

FARM CREDIT CORPORATION

MANAGEMENT'S REPORT

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The accompanying financial statements of Farm Credit Corporation and all information in this annual report are the responsibility of the Corporation's management and have been reviewed and approved by the Board of Directors. The financial statements include some amounts, such as the allowance for loan losses and the valuation of real estate acquired in settlement of loans, that are necessarily based on management's estimates and judgement.

The financial statements have been prepared in accordance with accounting principles which are generally accepted in Canada. Financial information presented elsewhere in the annual report is consistent with that contained in the financial statements.

In discharging its responsibility for the integrity and fairness of the financial statements, management maintains financial and management control systems and practices designed to provide reasonable assurance that transactions are authorized, assets are safeguarded and proper records are maintained. The system of internal control is augmented by internal audit which conducts periodic reviews of different aspects of the Corporation's operations.

The Board of Directors is responsible for ensuring management fulfils its responsibilities for financial reporting and internal control and exercises this responsibility through the Audit Committee of the Board, which includes a majority of Directors who are not employees of the Corporation. The Audit Committee meets with management, the internal auditors and the Auditor General of Canada on a regular basis, and the auditors have full and free access to the Audit Committee.

The independent auditor, the Auditor General of Canada, is responsible for auditing the transactions and financial statements of the Corporation and for issuing his report thereon.

C. Gerald Penney
President and Chief Executive Officer

Max Pierce
Executive Vice-President and
Chief Economist

Regina, Canada
May 25, 1995

AUDITOR'S REPORT

TO THE MINISTER OF AGRICULTURE AND AGRI-FOOD

I have audited the balance sheet of Farm Credit Corporation as at March 31, 1995 and the statements of operations and deficit and changes in cash position for the year then ended. These financial statements are the responsibility of the Corporation's management.

My responsibility is to express an audit opinion on these financial statements based on my audit. I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 1995 and the results of its operations and the changes in its cash position for the year then ended in accordance with generally accepted accounting principles. As required by the *Financial Administration Act*, I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Corporation that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Farm Credit Corporation Act* and the by-laws of the Corporation.

L. Denis Desautels, FCA
Auditor General of Canada

Ottawa, Canada
May 25, 1995

FARM CREDIT CORPORATION—*Continued*

BALANCE SHEET AS AT MARCH 31, 1995
(in thousands of dollars)

ASSETS	1995	1994
Cash and temporary investments (Note 3)	262,868	269,076
Accounts receivable	6,278	14,736
Investments (Note 4)	102,884	64,396
Loans receivable, net of allowance for loan losses of $125,900 (1994—$126,500) (Notes 5 and 6)	3,409,837	3,196,129
Real estate acquired in settlement of loans (Note 7)	196,651	221,568
Office equipment and leasehold improvements	7,747	7,708
	3,986,265	3,773,613

LIABILITIES	1995	1994
Accounts payable and accrued liabilities	17,371	14,767
Short-term notes (Note 8)	503,735	514,930
Payments held for real estate (Note 9)	12,019	14,906
Provision for employee termination benefits	4,016	3,949
Deferred loan fees	5,082	8,348
Loans payable (Note 10)	3,084,455	2,899,836
	3,626,678	3,456,736
EQUITY		
Contributed capital (Note 1)	1,118,333	1,118,333
Deficit	(758,746)	(801,456)
	359,587	316,877
	3,986,265	3,773,613

The accompanying notes are an integral part of the financial statements.

Approved:

C. GERALD PENNEY
President and Chief Executive Officer

DONALD W. BLACK
Chair

FARM CREDIT CORPORATION—*Continued*

STATEMENT OF OPERATIONS AND DEFICIT
FOR THE YEAR ENDED MARCH 31, 1995
(in thousands of dollars)

	1995	1994
Loan and investment income		
Interest income		
Loans receivable	325,617	326,751
Investment income	22,767	10,195
	348,384	336,946
Interest expense	249,159	249,030
Net loan and investment income	99,225	87,916
Provision for loan losses (Note 6)	9,739	9,608
Net loan and investment income after provision for loan losses	89,486	78,308
Lease and real estate income		
Lease and other revenue	30,620	31,469
Operating expenses	4,075	4,548
Interest expense	17,970	20,019
Net lease and real estate income	8,575	6,902
Other income	6,936	2,862
Net income before non-interest expenses	104,997	88,072
Administrative expenses	60,234	59,040
Income taxes—Large corporations tax (Note 12)	2,053	721
Net income for the year	42,710	28,311
Deficit at beginning of the year	(801,456)	(829,767)
Deficit at end of the year	(758,746)	(801,456)

The accompanying notes are an integral part of the financial statements.

STATEMENT OF CHANGES IN CASH POSITION
FOR THE YEAR ENDED MARCH 31, 1995
(in thousands of dollars)

	1995	1994
Operating Activities		
Net income for the year	42,710	28,311
Items not involving cash		
Provision for loan losses	9,739	9,608
Change in accrued interest receivable	6,469	20,041
Change in accrued interest payable	5,083	(19,426)
Other	(852)	529
Cash provided by operating activities	63,149	39,063
Investing Activities		
Long-term investments	(38,488)	(64,396)
Loans receivable disbursed	(632,923)	(501,978)
Loans receivable repaid	395,599	418,267
Proceeds from disposal of real estate	44,239	53,044
Other	(3,893)	8,267
Cash used in investing activities	(235,466)	(86,796)
Financing Activities		
Loans from Canada	302,000	643,103
Loans repaid to Canada	(354,004)	(759,976)
Loans from capital markets	328,567	199,549
Loans repaid to capital markets	(99,259)	(317,342)
Change in short-term notes	(11,195)	370,359
Cash provided by financing activities	166,109	135,693
(Decrease) Increase in cash and temporary investments	(6,208)	87,960
Cash and temporary investments at beginning of the year	269,076	181,116
Cash and temporary investments at end of the year	262,868	269,076

The accompanying notes are an integral part of the financial statements.

FARM CREDIT CORPORATION—*Continued*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1995

1. The Corporation

(a) Authority and objectives

Farm Credit Corporation ("the Corporation") was established in 1959 by the *Farm Credit Act* as the successor to the Canadian Farm Loan Board and is an agent Crown corporation named in Part I of Schedule III to the *Financial Administration Act*.

On April 2, 1993 the *Farm Credit Corporation Act* was proclaimed into law and replaced the *Farm Credit Act* and the *Farm Syndicates Credit Act*, both of which were repealed. The Act continues the Farm Credit Corporation with its head office in Regina, Saskatchewan, under an expanded mandate that includes broader lending and administrative powers.

The Corporation's role is to provide mortgage credit and complementary financial services to Canadian farmers and agri-businesses, and to deliver specific programs of the Government of Canada on a cost-recovery basis.

(b) Contributed capital

Contributed capital of the Corporation constitutes capital payments received from the government. The statutory limit is $1,125 million (1994—$1,125 million).

(c) Limits on borrowing

The *Farm Credit Corporation Act* restricts the total of direct and contingent liabilities to 12 times the equity of the Corporation. This limit can be increased to 15 times the equity with the prior approval of the Governor in Council.

At March 31, 1995, the Corporation's total liabilities were 10.1 times the equity of $359.6 million (1994—10.9 times the equity of $316.9 million).

2. Significant accounting policies

(a) Revenue recognition

Interest income is recorded on the accrual basis until such time as management determines that a loan should be classified as non-accrual. A loan is classified as non-accrual when:

(1) principal or interest is six months past due, unless the loan is well secured, or

(2) circumstances indicate doubt as to the ultimate collectibility of principal or interest.

When a loan is initially classified as non-accrual, uncollected interest recognized in the year is reversed against interest income and, where necessary, uncollected interest recognized in previous years is provided for in the allowance for loan losses.

Interest payments on non-accrual loans are recorded as interest income when received where it has been determined that the loan does not require a specific allowance for loan losses; otherwise, they are credited to principal.

Non-accrual loans return to accrual when arrears are eliminated and, in management's opinion, the ultimate collection of principal and interest is reasonably assured.

Lease and other revenues from real estate are recorded when earned. Gains and losses arising from the disposal of real estate are included as a component of lease and other revenues.

Loan fees received as compensation for activities which are integral to a specific lending arrangement are deferred and recognized as interest income over the estimated remaining term of the loan. Other loan fees are recorded as other income on the same basis as the related costs.

(b) Allowance for loan losses

The allowance for loan losses represents management's best estimate of probable losses on the loans outstanding at the end of the year in light of current conditions. It has a specific and a general component.

The specific component is determined based on a loan-by-loan review of undersecured loans. Specific provisions are established for individual loans, where circumstances indicate doubt as to the ultimate collectibility of principal or interest, to value these loans at the lower of their recorded investment or the estimated net realizable value of the underlying security for the loans.

The general component, which is prudential in nature, is established to provide for losses on loans which cannot yet be identified on a loan-by-loan basis.

As a single industry lender, the Corporation is particularly subject to adverse economic trends and other risks and uncertainties affecting certain agricultural regions or sectors. Accordingly, management has also considered the impact of specific factors, such as land value trends, federal and provincial government programs, international trade negotiations, future commodity prices and climatic conditions, in establishing the general component of the allowance. However, future agricultural and economic conditions are not predictable with certainty and, therefore, actual loan losses may vary from management's estimate.

Actual loan losses and write-downs of real estate on acquisition are charged to the allowance, while recoveries are credited to the allowance. Adjustments of the allowance to the level regarded by management as being appropriate are applied to operations.

(c) Real estate acquired in settlement of loans

Real estate, whether held for the production of income through leasing or held for sale, is initially recorded at the lower of the recorded investment in the foreclosed loan and the fair value of the underlying security at the time of acquisition. The fair value of the security is the amount which could be realized in an arm's length disposition considering the estimated time required to realize the security, the estimated costs of realization and any amounts legally required to be paid to the borrower.

Subsequent to acquisition, real estate leased for the production of income is carried at the fair value recorded on acquisition and is not written down for declines in the estimated fair value unless they are significant and permanent.

Real estate held for sale is reduced by write-downs to the carrying value for any declines in the estimated fair value subsequent to acquisition.

FARM CREDIT CORPORATION—*Continued*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1995—*Continued*

(d) Farm Debt Review process

Amounts received from the government on behalf of farmers for concessions granted by the Corporation under the Farm Debt Review process are applied as if they had been received directly from the farmers.

(e) Office equipment and leasehold improvements

Office equipment and leasehold improvements are recorded at cost less accumulated amortization. Amortization is provided over the estimated useful lives of office equipment and leasehold improvements according to the following methods and rates:

	Methods	Rates
Equipment and furniture	Declining balance	20%
Computer equipment and software	Straight-line	20%
Leasehold improvements	Straight-line	Lease term plus the first renewal option.

(f) Translation of foreign currencies

Loans and related interest payable in foreign currencies are hedged by currency conversion agreements and are translated into Canadian dollars at the rates provided therein. The differences between the ultimate amounts payable at the contracted rates and the cash proceeds of the debt issues are amortized on a straight-line basis and are charged to interest expense over the lives of the obligations.

(g) Financial instruments

In order to reduce interest rate risk and funding costs, the Corporation uses various types of off-balance sheet derivative financial instruments such as forward rate agreements, currency and interest rate swaps, options, interest rate caps and captions. These instruments are used solely for hedging, not speculative, purposes. The cost of these instruments is amortized on a straight-line basis over the lives of the underlying instruments and reported as interest expense. Gains or losses from transactions are recognized as income on the same basis as the hedged item.

(h) Securities

Securities comprise the balance sheet categories temporary investments and investments. Interest revenue, gains and losses on disposal, and write-downs to market value are reported in investment income.

Temporary investments are acquired primarily for the purposes of liquidity and are intended to be held for less than one year. Where market value has declined significantly, temporary investments are written-down to market value.

Investments are acquired primarily for the purposes of asset/liability management and are intended to be held to maturity. Investments are carried at cost adjusted for amortization of premiums or discounts over the term to maturity.

(i) Pension plan

Employees participate in the Public Service Superannuation plan administered by the Government of Canada. The Corporation's contributions to the plan are limited to matching the employees' contributions for current service. These contributions are expensed during the year in which the services are rendered and represent the total pension obligations of the Corporation.

(j) Employee termination benefits

On termination of employment, employees are entitled to benefits provided for under their terms of employment. The liability for these benefits is recorded as the benefits accrue to the employees.

(k) Income taxes

The Corporation follows the tax allocation method of providing for income taxes. The cumulative differences between tax calculated on such a basis and taxes currently payable are essentially timing differences and result in deferred income taxes. The Corporation has deferred income tax benefits which have not been recorded and will only be recognized when there is virtual certainty of realization.

3. Cash and temporary investments

	Stated interest rate	1995	1994
	%	(in thousands of dollars)	
Cash and temporary investments	6.65 - 8.55	260,482	268,493
Accrued interest		2,386	583
		262,868	269,076

At March 31, 1995, the market value of cash and temporary investments, including accrued interest, was $262.6 million (1994—$267.8 million).

4. Investments

	Stated interest rate	1995	1994
	%	(in thousands of dollars)	
Investments maturing within:			
—1 year	8.25 - 10.25	15,221	
—1 - 5 years	6.50 - 10.75	83,433	64,081
—Over 5 years	7.50	3,235	
		101,889	64,081
Accrued interest		995	315
		102,884	64,396

At March 31, 1995, the market value of investments, including accrued interest, was $99.0 million (1994—$62.5 million).

At March 31, 1995, the weighted average yield to maturity of investments was 7.00 percent.

FARM CREDIT CORPORATION—*Continued*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1995—*Continued*

5. Loans receivable

	Stated interest rate	1995	1994
	%	(in thousands of dollars)	
Loans secured by mortgages	5.00 - 15.25	3,426,934	3,198,474
Loans secured by notes	6.88 - 14.63	7,216	10,170
Loans receivable from real estate sales, secured by agreements for sale or mortgages	5.00 - 14.63	26,286	29,141
		3,460,436	3,237,785
Accrued interest—Current		65,419	69,913
—Arrears		9,882	14,931
		3,535,737	3,322,629
Less: allowance for loan losses		125,900	126,500
		3,409,837	3,196,129

At March 31, 1995, the weighted average effective rate of loans receivable was 9.60 percent.

At March 31, 1995, the Corporation had 2,376 loans representing $218 million of loans receivable classified as non-accrual (1994—2,613 representing $250 million). During the year, interest not recognized on non-accrual loans amounted to $0.9 million (1994—$0.5 million). The accumulated interest not recognized on non-accrual loans outstanding at March 31, 1995 amounted to $34.1 million (1994—$39.0 million).

6. Allowance for loan losses

	1995	1994
	(in thousands of dollars)	
Balance at beginning of the year	126,500	124,000
Write-offs, net of recoveries	(4,696)	(14,764)
Provision for loan losses	9,739	9,608
Allowance (adjustment) on portfolio acquisition	(5,643)	7,656
Balance at end of the year	125,900	126,500
Specific allowance	3,800	11,500
General allowance	122,100	115,000
Balance at end of the year	125,900	126,500

7. Real estate acquired in settlement of loans

	1995	1994
	(in thousands of dollars)	
Balance at beginning of the year	221,568	231,944
Acquisitions	12,668	36,841
Disposals	(37,585)	(47,217)
Balance at end of the year	196,651	221,568

Real estate under long-term lease, lease maturities by fiscal year:

	1995	1994
	(in thousands of dollars)	
1995		119,647
1996	65,878	70,902
1997	983	
2000	110,125	
	176,986	190,549
Real estate held for sale	19,665	31,019
	196,651	221,568

Real estate represents farm property acquired in the process of administering loans receivable.

Real estate under long-term lease may be subject to renewal at the expiry of the original lease term. Leases reprice annually.

Future expected lease receipts, using current lease rates, receivable within:

	1995	1994
	(in thousands of dollars)	
—1 year	12,368	
—1 - 5 years	26,614	
	38,982	

FARM CREDIT CORPORATION—*Continued*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1995—*Continued*

8. Short-term notes

	Stated interest rate	1995	1994
	%	(in thousands of dollars)	
Short-term notes payable within one year	6.27 - 8.23	495,794	512,373
Accrued interest		7,941	2,557
		503,735	514,930

At March 31, 1995, the market value of short-term notes, including accrued interest, was $501.9 million (1994—$512.8 million).

9. Payments held for real estate

	1995	1994
	(in thousands of dollars)	
Agri-Land Investment Fund	7,980	9,584
Downpayments on real estate sales	4,039	5,322
	12,019	14,906

The Corporation may, through equity-building lease programs, lease real estate acquired in settlement of loans back to the former owner ("the lessee"). In addition to lease payments, the lessee accumulates funds over the term of the lease by making additional payments to the Corporation. At the discretion of the lessee, these additional payments may then be applied against the purchase of real estate from the Corporation.

10. Loans payable

	Stated interest rate	1995	1994
	%	(in thousands of dollars)	
Loans from Canada, secured by notes	5.24 - 11.02	2,251,114	2,303,118
Loans from capital markets, secured by notes payable in:			
U.S. dollars ($200,000,000 at 7.50% - 7.75%)	9.00 - 9.12	274,950	274,740
Canadian dollars	4.25 - 9.00	491,606	260,277
		3,017,670	2,838,135
Accrued interest		66,785	61,701
		3,084,455	2,899,836

At March 31, 1995, the weighted average yield to maturity of loans payable was 8.12 percent.

The annual interest rates and yield to maturity disclosed above are net of currency swaps (see Note 11), which are used to convert borrowings to Canadian dollar obligations.

Amounts due by fiscal year:

	$	$
1995		392,636
1996	463,941	325,161
1997	536,851	478,830
1998	613,996	537,329
1999	470,425	397,007
2000	262,749	201,690
2001 and thereafter	669,708	505,482
	3,017,670	2,838,135
Accrued interest	66,785	61,701
	3,084,455	2,899,836

11. Financial instruments with off-balance sheet risk

In order to manage exposure to fluctuations in interest rates and foreign exchange, the Corporation uses hedges and derivative financial instruments with off-balance sheet risk. Currency and interest rate swaps are used to reduce foreign currency and cash flow risks on foreign dollar or floating rate borrowing (see Note 10).

The contractual or notional Canadian dollar principal amounts of financial instruments outstanding at March 31, 1995, were as follows:

	1995	1994
	(in thousands of dollars)	
Currency swaps	415,110	388,740
Interest rate swaps	138,000	138,000
Forward rate agreements	212,661	168,433
Interest rate cap contracts	10,000	
	775,771	695,173

FARM CREDIT CORPORATION—*Concluded*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1995—*Concluded*

12. Income taxes

(a) Timing differences of approximately $216 million are available to the Corporation as at March 31, 1995. These have not been recognized in the accounts since they will not be used in the foreseeable future. They result primarily from differences between the provision for loan losses charged to operations and the amount claimed for income tax purposes.

In addition, the loss carry-forward for income tax purposes, which has not been recognized in the financial statements, amounts to $521 million and expires on the dates indicated:

	(in thousands of dollars)
March 31, 1997	108,000
1999	270,000
2001	143,000
	521,000

During the current year the Corporation will incur no income tax expense, other than the large corporations tax ("LCT"), due to the utilization of $197 million in loss carry-forwards.

(b) Income taxes payable by the Corporation relate to the LCT, which may be offset against any current or future surtaxes payable. The Corporation has no surtax currently payable.

13. Commitments to borrowers

As at March 31, 1995, loans to farmers and agri-businesses approved but not disbursed amounted to $88 million (1994—$89 million). These loans were approved at interest rates from 8.38 percent to 11.75 percent. It is expected that the majority of these loans will be disbursed by September 30, 1995.

14. Operating leases

Future minimum payments by fiscal year on operating leases for premises, with initial non-cancellable lease terms in excess of one year, are as follows:

	(in thousands of dollars)
1996	4,216
1997	4,682
1998	4,077
1999	3,674
2000	3,332
2001 and thereafter	4,933
	24,914

These leases generally provide for payment by the Corporation of real estate taxes and operating expenses in excess of the amounts established at the commencement of the lease term.

15. Government programs

Farm Debt Review process

During the year, the Minister of Agriculture and Agri-Food was authorized to make contributions to farmers, payable to the Corporation. These payments are based on concessions that the Corporation has granted to farmers under arrangements made pursuant to the *Farm Debt Review Act*. The Corporation is reimbursed at the time farmers realize the benefits of the concessions, which may be over a period as long as five years. These concessions cease if the farmers fail to meet their commitments.

Since the inception of the Farm Debt Review process, the Corporation has offered $279 million in concessions and billed $268 million to the government, of which $21 million was billed in the current year. The committed difference of $11 million will be due and received over the next four years as farmers meet their commitments and thereby realize the benefits of the concessions.

Government funding for new concessions under the *Farm Debt Review Act* ceased effective March 31, 1994.

Western Grain Transportation Act

The Corporation will receive payments from the elimination of the *Western Grain Transportation Act* (WGTA) subsidy, announced in the February 27, 1995 federal budget. The entire WGTA payment associated to a particular property will be transferred to the buyer who purchases the land in 1995 at the price established by the Corporation. Former owner tenants as at the date of the federal budget will receive a pro-rated benefit of the WGTA payment applicable to their property. Disbursements to purchasers and tenants will be made upon receipt of the WGTA payment by the Corporation.

16. Subsequent event

On May 25, 1995, the Board of Directors declared a dividend in the amount of $4.0 million payable September 30, 1995, to the Receiver General for Canada.

17. Comparative figures

Certain 1994 comparative figures have been reclassified to reflect the presentation adopted in 1995.

FEDERAL BUSINESS DEVELOPMENT BANK
(Name change: Business Development Bank of Canada)

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL INFORMATION

The financial statements of the Federal Business Development Bank were prepared and presented by management in accordance with generally accepted accounting principles on a basis consistent with that of the preceding year. The information contained therein normally includes amounts requiring estimation which have been made based upon informed judgment as to the expected results of current transactions and events. The financial information presented elsewhere in this annual report is consistent with the financial statements.

In discharging its responsibility for the integrity, fairness and quality of the financial statements and for the accounting systems from which they are derived, management maintains a system of internal controls designed to provide reasonable assurance that transactions are authorized, assets are safeguarded and proper records are maintained. The system of internal controls is augmented by audit and inspection staff who conduct periodic reviews of different aspects of the Bank's operations. In addition, the Vice-President, Internal Audit, and the independent auditors have full and free access to the Audit Committee of the Board of Directors which is responsible for overseeing and reviewing management's internal control and reporting responsibilities. The Board of Directors, through the Audit Committee which is comprised of Directors who are not employees of the Bank, is responsible for reviewing and approving the audited annual financial statements.

The Bank's independent auditors, Raymond, Chabot, Martin, Paré, General Partnership, Chartered Accountants and the Auditor General of Canada have audited the Bank's financial statements and their report indicates the scope of their audit and their opinion on the financial statements.

François Beaudoin
President and Chief Executive Officer

Thompson E. Skinner
Vice-President, Finance and Administration
and Chief Financial Officer

AUDITORS' REPORT

TO THE MINISTER OF INDUSTRY

We have audited the balance sheet of the Federal Business Development Bank as at March 31, 1995 and the statements of income, equity of Canada and changes in financial position for the year then ended. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Bank as at March 31, 1995 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles. As required by the *Financial Administration Act*, we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in our opinion, the transactions of the Bank that have come to our notice during our audit of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Federal Business Development Bank Act* and the by-laws of the Bank.

Raymond, Chabot, Martin, Paré
General Partnership
Chartered Accountants

Montreal, Canada
May 23, 1995

L. Denis Desautels, FCA
Auditor General of Canada

Ottawa, Canada
May 23, 1995

FEDERAL BUSINESS DEVELOPMENT BANK—*Continued*
(Name change: Business Development Bank of Canada)

BALANCE SHEET AS AT MARCH 31
(in thousands of dollars)

ASSETS	1995	1994	LIABILITIES AND EQUITY	1995	1994
Cash and short-term investments	273,608	146,537	Accounts payable and accrued liabilities	18,941	13,402
Securities (Note 3)		219,708	Accrued interest on borrowings	47,755	63,063
	273,608	366,245		66,696	76,465
Loans, net of allowance for credit losses (Note 5)	2,798,469	2,572,691	Borrowings (Note 7)		
			Short-term notes	1,353,061	730,997
Venture capital investments, net of allowance for credit losses (Notes 4 and 5)	29,400	27,710	Long-term notes	1,369,776	1,871,114
				2,722,837	2,602,111
	2,827,869	2,600,401	Other liabilities	67,392	64,055
Capital assets, net of accumulated depreciation	6,009	5,198	Equity of Canada (Note 8)	288,775	279,610
Other assets (Note 6)	38,214	50,397			
	44,223	55,595			
Total assets	3,145,700	3,022,241	Total liabilities and equity	3,145,700	3,022,241

Approved by the Board:

JOHN E. BURNS
Director

PATRICK J. LAVELLE
Director

FEDERAL BUSINESS DEVELOPMENT BANK—*Continued*
(Name change: Business Development Bank of Canada)

STATEMENT OF INCOME
FOR THE YEAR ENDED MARCH 31
(in thousands of dollars)

	1995	1994
Financial Services		
Loans Division		
Interest income	302,356	270,822
Interest expense (Note 9)	152,399	139,162
Net interest income	149,957	131,660
Provision for credit losses (Note 5)	42,052	45,580
Net interest income after provision for credit losses	107,905	86,080
Operating and administrative expenses (Note 10)	99,631	81,511
Income from Loans Division	8,274	4,569
Venture Capital Division		
Investment income	8,173	6,076
Provision for credit losses (Note 5)	3,247	2,390
Net investment income after provision for credit losses	4,926	3,686
Operating and administrative expenses (Note 10)	3,811	3,315
Income from Venture Capital Division	1,115	371
Income from financial services	9,389	4,940
Management Services		
Revenue from activities	18,141	18,360
Operating and administrative expenses (Note 10)	32,535	34,244
Net operating and administrative expenses (Note 10)	14,394	15,884
Parliamentary appropriation	14,170	15,075
Income (loss) from management services (Note 10)	(224)	(809)
Net income	9,165	4,131

STATEMENT OF EQUITY OF CANADA
FOR THE YEAR ENDED MARCH 31
(in thousands of dollars)

	1995	1994
Equity, beginning of year	279,610	275,479
Net income	9,165	4,131
Equity, end of year (Note 8)	288,775	279,610

STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED MARCH 31
(in thousands of dollars)

	1995	1994
Cash flows from Operating Activities		
Net income	9,165	4,131
Items not requiring an outlay of cash:		
Provision for credit losses on loans and venture capital investments	45,299	47,970
Depreciation of capital assets	1,678	2,619
Net change in accrued interest	(18,117)	(14,242)
Net change in other assets and other liabilities	21,059	18,341
	59,084	58,819
Cash flows used in Investing Activities		
Disbursements to borrowers and investees	(735,402)	(594,129)
Repayments by borrowers and investees	465,444	440,813
Capital acquisitions	(2,489)	(3,660)
	(272,447)	(156,976)
Cash flows from Financing Activities		
Issue of long-term notes	405,821	513,064
Repayment of long-term notes	(907,159)	(472,684)
Net change in short-term notes	622,064	209,870
Net change in securities	219,708	(70,541)
	340,434	179,709
Net increase in Cash and Short-Term Investments	127,071	81,552
Beginning of year	146,537	64,985
End of year	273,608	146,537

FEDERAL BUSINESS DEVELOPMENT BANK—*Continued*
(Name change: Business Development Bank of Canada)

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1995

(in thousands of dollars except as otherwise indicated)

1. Act of incorporation, objectives and operations of the Corporation

The Federal Business Development Bank is a Crown corporation, established by an Act of Parliament on December 20, 1974, to succeed the Industrial Development Bank which had been created in 1944. The Bank is wholly owned by the Government of Canada and is exempt from income taxes.

The objectives of the Bank are to promote and assist in the establishment and development of business enterprises in Canada, especially small and medium-sized businesses, by providing a wide range of financial services such as loans and equity investments in addition to management counselling and training services. The Bank acts as a complementary lender and provides financing in association with other major lenders in order to allow emerging or growth businesses to access financing not normally available. These services are made available across Canada through a broad network of branch and regional offices.

To accomplish these objectives, the Bank issues debt instruments which carry the full faith and credit of Canada.

2. Significant accounting policies

The financial statements of the Federal Business Development Bank have been prepared in accordance with Canadian generally accepted accounting principles applied on a basis consistent with that of the preceding year. The significant accounting policies used in the preparation of these financial statements are summarized below.

Short-term investments and securities:

Short-term investments and securities are stated at lower of cost adjusted for amortization of premiums or discounts to maturity, or market value. Interest revenue and gains or losses on disposals are included in interest expense.

Loans and allowance for credit losses:

Loans are stated at principal amounts including accrued interest receivable, net of allowance for credit losses. The annual provision for credit losses on loans is based upon historical experience and the level of loan losses anticipated. This amount is charged against income and added to the allowance for credit losses which results in an amount considered by management to be adequate to absorb anticipated credit related losses.

Venture capital investments and allowance for credit losses:

Venture capital investments are recorded at cost net of allowance for credit losses. The allowance for credit losses on these investments is established by a management review of individual investments.

Revenue recognition:

Interest on loans is recorded as income on an accrual basis except that interest is not accrued on loans where management believes that the interest will not be recovered. Dividends, interest and capital gains on venture capital investments are recorded as income when received.

Capital assets and depreciation:

Capital assets are recorded at cost and depreciated over their estimated useful lives using the diminishing-balance method for furniture and equipment and the straight-line method for leasehold improvements.

Premiums, discounts and debt issue expenses:

Premiums, discounts and expenses related to the issue of debt are amortized on a straight-line basis over the term of the obligations to which they pertain and charged to interest expense.

Translation of foreign currencies:

Notes payable in foreign currencies and interest thereon, are fully hedged by foreign exchange forward contracts, foreign currency option contracts or currency swap contracts and are translated into Canadian dollars at the rates provided therein. The difference between the principal amount payable at maturity and the redemption proceeds of the issue is considered to be an element of financing costs and is therefore amortized to interest expense over the life of the obligation on a straight-line basis. The unamortized portion of these amounts is included with "Other assets".

Hedging activities:

The Bank engages in a variety of hedging activities through the use of interest rate swap contracts, forward rate agreements, interest rate option contracts, cross-currency interest rate swap contracts, currency swap contracts, foreign exchange forward contracts and foreign currency option contracts. Any resulting gains or losses from the above instruments are recorded as adjustments to interest expense.

Employee pension benefits and other employee benefits:

The Bank maintains a contributory, defined benefit pension plan for eligible employees. Periodic valuations are performed by independent actuaries to determine the present value of the accrued pension benefits. The costs of the plan, which are included with salaries and staff benefits, are comprised of the cost of pension benefits in respect of current service, and the amortization over the expected average remaining service life of the employees of experience gains or losses in respect of the plan, and any adjustments arising from changes to the plan or the plan assumptions.

Post-retirement benefits other than pensions, consisting of life insurance and health care benefits to eligible retirees, are accrued annually based on actuarial valuations and are recorded in "Other liabilities".

Employees of the Bank are eligible for specified post-employment benefits, calculated at salary levels in effect at the time of departure. The present value of these post-employment benefits, as determined by actuarial valuation, is recorded in "Other liabilities".

FEDERAL BUSINESS DEVELOPMENT BANK—*Continued*
(Name change: Business Development Bank of Canada)

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1995—*Continued*

3. Securities

All securities held by the Bank are instruments fully guaranteed by the Government of Canada. The market value of these securities as at March 31, 1994 was $221,944. The Bank has no such instruments on hand as at March 31, 1995.

4. Venture capital investments

The Bank maintains a portfolio of venture capital investments which is focused on companies having promising competitive positions in their respective marketplaces and strong growth potential. The duration of these investments is generally 4 to 7 years. Divestitures are made through listings of investee shares on public markets or the sale of the Bank's shares to other existing shareholders or third parties.

The following is a summary of the venture capital portfolio at year end:

	1995	1994
Common shares	29,010	23,090
Preferred shares	2,695	3,804
Debentures	6,915	10,439
	38,620	37,333
Allowance for credit losses	(9,220)	(9,623)
Venture capital investments, net of allowance for credit losses	29,400	27,710

5. Allowance for credit losses

	1995			1994		
	Loans	Venture Capital Investments	Total	Loans	Venture Capital Investments	Total
Balance at beginning of year	227,755	9,623	237,378	236,508	9,622	246,130
Write-offs	(48,684)	(3,781)	(52,465)	(56,216)	(2,389)	(58,605)
Recoveries	2,428	131	2,559	1,883		1,883
	181,499	5,973	187,472	182,175	7,233	189,408
Provision for credit losses	42,052	3,247	45,299	45,580	2,390	47,970
Balance at end of year	223,551	9,220	232,771	227,755	9,623	237,378

6. Other Assets

	1995	1994
Accrued interest receivable	26,079	40,129
Unamortized debt issue expenses on long-term notes	2,430	3,285
Other	9,705	6,983
	38,214	50,397

FEDERAL BUSINESS DEVELOPMENT BANK—*Continued*
(Name change: Business Development Bank of Canada)

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1995—*Continued*

7. Borrowings

The Bank issues debt instruments in world capital markets to fund its loan portfolio. The table below shows Canadian dollar notes and foreign currency notes, fully hedged and converted into Canadian dollars.

Maturity date	Nominal rate	Currencies	Notional Amount	1995	1994
	%				
Short-term notes					
1995	3.05-5.13	GBP	34,889		
		USD	328,538		
		CAD	221,789		730,997
1996	5.75-8.15	GBP	4,793		
		USD	793,954		
		CAD	229,145	1,353,061	
Total short-term notes				1,353,061	730,997
Long-term notes					
Within a year					
1995	Zero coupon (11.50)	AUD	50,000		
		XEU	110,000		
		ITL	17,000,000		
		JPY	7,800,000		
		USD	63,000		
		CAD	536,167		903,118
1996	Zero coupon (12.00)	JPY	10,000,000		
		USD	25,000		
		CAD	142,440	282,319	262,319
Longer than a year					
May 8, 1996	11.49 (1)	USD	50,000	57,705	57,705
July 10, 1996	Zero coupon (2)			10,000	10,000
August 5, 1996	7.20 (3)	JPY	5,000,000	47,418	47,418
September 16, 1996	7.65 (4)			30,700	30,700
September 20, 1996	Zero coupon (5)	USD	8,625	11,643	
September 20, 1996	Floating (6)	USD	11,375	15,355	
September 20, 1996	Floating (7)	JPY	5,000,000	68,225	
December 11, 1996	6.50	JPY	2,920,000	25,000	25,000
December 16, 1996	7.56 (4)			122,800	122,800
December 17, 1996	7.25			100,000	100,000
December 20, 1996	Floating (3)	JPY	10,000,000	139,128	
March 4, 1997	7.25 (4)			20,000	20,000
August 26, 1997	8.50			75,000	
October 6, 1997	8.80 (8)	USD	35,000	47,093	
March 10, 1998	7.50			150,000	150,000
June 30, 1998	4.15	JPY	1,690,000	20,517	20,517
July 29, 1998	6.00 (9)	JPY	2,079,039	20,666	24,707
October 15, 1998	Zero coupon (10)	USD	35,000	46,830	46,830
November 25, 1998	8.78			50,000	50,000
November 24, 2000	6.89 (11)	USD	20,790	29,377	
Total long-term notes				1,369,776	1,871,114
Current portion of long-term notes with maturity date longer than a year				7,911	4,041

FEDERAL BUSINESS DEVELOPMENT BANK—*Continued*
(Name change: Business Development Bank of Canada)

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1995—*Continued*

(1) Repayment terms are related to the value of the Australian Dollar and the Japanese Yen.

(2) Repayment terms are related to the performance of the S&P 500 index.

(3) Repayment terms are related to the performance of the NIKKEI stock average.

(4) Repayment terms are related to the JPY/CAD exchange rate.

(5) Repayment terms are related to the price of the nickel metal.

(6) Interest rate is the USD LIBOR.

(7) Interest rate is the JPY LIBOR and repayment terms are related to the performance of the NIKKEI 300 futures.

(8) Repayment terms are related to the USD/JPY exchange rate.

(9) Principal and interest are payable in annual blended instalments of JPY 599,992,903 (CAD 6,529) to maturity.

(10) Coupon rate of interest is based on the average of 2-year swap rates for 6 countries.

(11) Principal and interest are payable in uneven monthly instalments to maturity.

The preceding table includes $1,342,336 in 1995 and $1,583,600 in 1994 of long-term notes payable which have been the subject of interest rate swap contracts and options with other financial institutions. These borrowings fund a portion of the Bank's floating interest rate loan portfolio.

As at March 31, 1995, the required payments on long-term notes are as follows:

1996	290,230
1997	656,974
1998	282,302
1999	128,896
2000	6,501
2001	4,873
	1,369,776

8. Equity of Canada and statutory limitations on capital and operations

The Minister of Finance, with the approval of the Governor in Council, has authorized capital payments to the Bank totalling $475,000, being the maximum allowed by subsection 28(1) of the *Federal Business Development Bank Act*. The Bank may receive additional funding for the purposes of section 20 of the Act by way of parliamentary appropriation.

	1995	1994
Amount paid to the Bank of Canada as referred to in subsection 28(1)(a) of the *Federal Business Development Bank Act*	79,000	79,000
Amounts paid in pursuant to subsection 28(1) of the *Federal Business Development Bank Act*	475,000	475,000
Amounts paid in by appropriation	36,000	36,000
Capital paid in by Canada	590,000	590,000

The Equity of Canada is $288,775 as at March 31, 1995 ($279,610 as at March 31, 1994) and is comprised of the capital paid in by Canada, as detailed above, reduced by the accumulated deficit of $301,225 as at March 31, 1995 ($310,390 as at March 31, 1994).

The total of direct and contingent liabilities of the Bank may not exceed twelve times the amount of its "Capital" as defined in subsection 28(2) of the *Federal Business Development Bank Act* (or up to fifteen times with the approval of the Governor in Council). These liabilities combined with the Bank's "Capital" may not exceed $3,200,000.

9. Interest expense

	1995	1994
Long-term notes	116,362	121,513
Short-term notes	54,323	37,536
Security and short-term investment income	(18,286)	(19,887)
	152,399	139,162

FEDERAL BUSINESS DEVELOPMENT BANK—*Continued*
(Name change: Business Development Bank of Canada)

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1995—*Continued*

10. Operating and administrative expenses

	1995			1994		
	Financial Services		Management Services	Financial Services		Management Services
	Loans Division	Venture Capital Division		Loans Division	Venture Capital Division	
Salaries and staff benefits	46,676	1,829	20,181	47,274	1,724	21,826
Premises and equipment	23,559	531	3,246	13,540	478	3,717
Other expenses	29,396	1,451	9,108	20,697	1,113	8,701
	99,631	3,811	32,535	81,511	3,315	34,244

Operating and administrative expenses for Management Services identified above, include certain long-term non-cash accruals for pension, post-retirement and post-employment benefits which will be funded by appropriation when they are disbursed. Accordingly, these amounts are included in the loss from Management Services for the year.

Net operating and administrative expenses for Management Services comprise the operating and administrative expenses less revenue from activities and are broken down by program as follows:

	1995	1994
Management Counselling	5,866	7,405
Management Training	8,528	8,479
	14,394	15,884

11. Off-balance sheet financial instruments

The Bank enters into hedging transactions for the sole purpose of matching its assets and liabilities and hedging market risk exposure. These transactions are designed to reduce the Bank's exposure to fluctuations in interest rates and foreign exchange.

These transactions include interest rate swap contracts, forward rate agreements, interest rate option contracts, cross-currency interest rate swap contracts, currency swap contracts, foreign exchange forward contracts and foreign currency option contracts.

As at March 31, 1995, the notional principal amounts or the committed amounts of the financial instruments were as follows:

Financial instruments	Expected Repricing or Maturity Date					
	Under 1 year	1 to 3 years	Over 3 to 5 years	Over 5 years	1995 Total	1994 Total
Interest rate contracts						
Interest rate swap contracts	1,349,705	211,722	8,000		1,569,427	2,850,039
Forward rate agreements	500,000				500,000	50,000
Interest rate option contracts	50,000	207,354			257,354	40,000
Cross-currency interest rate swap contracts *	261,512	781,150	88,013	29,377	1,160,052	1,215,246
Foreign exchange contracts						
Currency swap contracts		57,705			57,705	57,705
Foreign exchange forward contracts	1,422,940				1,422,940	611,958
Foreign currency option contracts		40,510			40,510	40,510

* based on maturity dates

FEDERAL BUSINESS DEVELOPMENT BANK—*Continued*
(Name change: Business Development Bank of Canada)

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1995—*Continued*

Interest rate swap contracts

Interest rate swap contracts are agreements between two parties to exchange interest flows on a specific notional amount for a predetermined period, based on agreed fixed and floating rates.

Forward rate agreements

Forward rate agreements are contracts negotiated between two parties to buy or sell financial instruments at future dates and at specified rates.

Interest rate option contracts

Interest rate option contracts are agreements granting the purchaser the right to either purchase from or sell to the writer of the option a specified financial instrument on agreed terms. In consideration of the interest rate risk, the seller receives a premium from the purchaser.

Cross-currency interest rate swap contracts

Cross-currency interest rate swap contracts are agreements between two parties to exchange both currencies and interest rates on a specific notional amount for a predetermined period.

Currency swap contracts

Currency swap contracts are agreements between two parties to exchange currencies at predetermined dates.

Foreign exchange forward contracts

Foreign exchange forward contracts are commitments to exchange two currencies at a predetermined date and at a rate agreed upon by the parties at the transaction date.

Foreign currency option contracts

Foreign currency option contracts are agreements to buy or sell specified amounts of foreign currencies at fixed prices on specified future dates.

Counterparty credit risk

The notional principal amounts of financial instruments held by the Bank are not indicative of the credit or market risk exposure associated with the contracts. The risk of loss is related only to the possibility that a counterparty to a transaction does not perform as agreed. In the event of default by a counterparty, the risk to the Bank in these transactions would be limited to the prevailing currency and/or interest rate differentials. The Bank limits its exposure to this type of risk by dealing only with financial institutions having credit ratings in accordance with the Department of Finance guidelines. The Bank continually monitors its position and the credit ratings of its counterparties. The credit exposure is calculated on a contract by contract basis for each counterparty and is reported as being the replacement value of all outstanding contracts in a net gain position.

As at March 31, 1995, counterparty credit risk exposure is as follows:

Counterparty Credit Risk	Counterparty Ratings				
	AAA	AA	AA-	A+	A
Credit exposure	22,110	121,226	26,552	9,718	15

FEDERAL BUSINESS DEVELOPMENT BANK—*Concluded*
(Name change: Business Development Bank of Canada)

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1995—*Concluded*

12. Contingent liabilities and commitments

As at March 31, 1995:

(a) the Bank is guarantor of loans aggregating $1,107.

(b) various legal proceedings arising from the normal course of business are pending against the Bank. Management considers that the aggregate liability resulting from these proceedings will not be material.

(c) the undisbursed amounts on loans and venture capital investments authorized aggregate $207,456.

(d) the future minimum lease commitments under operating leases related to the rental of Bank premises are as follows:

1996	9,968
1997	9,300
1998	8,636
1999	6,687
2000	6,629
2001-2020	135,743
	176,963

13. Employee pension benefits

Based on the latest actuarial valuation prepared as at December 31, 1994, the present value of the accrued pension benefits and the market related value of the net assets amounted to $245,641 and $262,843 respectively. The employee pension benefits expense included in the Statement of Income for the year ended March 31, 1995, amounts to $1,712 ($4,806 in 1994). The cumulative difference between the amounts expensed and the funding contributions is recorded in the Balance Sheet under "Other assets" or "Other liabilities", as applicable.

14. Cultural Industries Development Fund

The Bank administers on behalf of the Department of Canadian Heritage (DOCH), the Cultural Industries Development Fund (CIDF). The CIDF was developed to provide, under certain conditions, flexible financing and management counselling to businesses involved in the Canadian cultural industries. As stipulated in the agreement, DOCH will finance up to $33,000 over a five-year period which commenced in 1992, part of which covers the administration and delivery of the program. A total of $3,712 was transferred to the CIDF in 1995 ($4,360 in 1994). There remains an amount of $8,400 to be allocated for future years. This fund is not accounted for in the financial statements of the Bank.

15. Comparative financial data

Certain comparative figures have been reclassified to conform with the presentation adopted in 1995.

FRESHWATER FISH MARKETING CORPORATION

MANAGEMENT'S REPORT

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The accompanying financial statements of Freshwater Fish Marketing Corporation and all information in this annual report are the responsibility of the Corporation's management and have been reviewed and approved by the Board of Directors. The financial statements have been prepared in accordance with generally accepted accounting principles, using management's best estimates and judgements, where appropriate. Financial information presented elsewhere in the annual report is consistent with that contained in the financial statements.

In discharging its responsibility for the integrity and fairness of the financial statements, management maintains and relies on financial and management control systems and practices which are designed to provide reasonable assurance that transactions are authorized, assets are safeguarded, and proper records are maintained. These controls and practices are designed to ensure the orderly conduct of business, the accuracy of accounting records, the timely preparation of reliable financial information and the adherence to the Corporation's policies and statutory requirements.

The Board of Directors is responsible for ensuring that management fulfils its responsibilities for financial reporting and internal control and exercises this responsibility through the Audit Committee of the Board, which is composed of a majority of Directors who are not employees of the Corporation. The Audit Committee meets regularly with management and the auditors, who have full and free access to the Audit Committee.

The Corporation's external auditor, the Auditor General of Canada, is responsible for auditing the transactions and financial statements of the Corporation and for issuing his report thereon.

Tom Dunn
President

Gabriella Bradics
Controller

Winnipeg, Canada

AUDITOR'S REPORT

TO THE MINISTER OF FISHERIES AND OCEANS

I have audited the balance sheet of the Freshwater Fish Marketing Corporation as at April 30, 1995 and the statements of operations and retained earnings and changes in financial position for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at April 30, 1995 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles. As required by the *Financial Administration Act*, I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Corporation that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Freshwater Fish Marketing Act* and By-Laws of the Corporation.

Raymond Dubois, FCA
Deputy Auditor General
for the Auditor General of Canada

Ottawa, Canada
July 14, 1995

FRESHWATER FISH MARKETING CORPORATION—*Continued*

BALANCE SHEET AS AT APRIL 30, 1995
(in thousands of dollars)

ASSETS	1995	1994	LIABILITIES	1995	1994
Current			Current		
Accounts receivable (Note 3)	5,277	4,212	Bank indebtedness and loans (Note 7)	6,985	6,349
Inventories (Note 4)	4,413	3,722	Accounts payable and		
Prepaid expenses	138	154	accrued liabilities (Note 8)	6,320	4,896
	9,828	8,088		13,305	11,245
Loan receivable (Note 5)		435	Bank loans (Note 9)		470
Capital assets (Note 6)	7,630	7,345		13,305	11,715
			RETAINED EARNINGS		
			Retained earnings	4,153	4,153
	17,458	15,868		17,458	15,868

The accompanying notes are an integral part of the financial statements.

Approved by the Board:

MAURICE BLANCHARD
Director

WILLIAM MONKMAN
Director

FRESHWATER FISH MARKETING CORPORATION—*Continued*

STATEMENT OF OPERATIONS AND RETAINED EARNINGS
FOR THE YEAR ENDED APRIL 30, 1995
(in thousands of dollars)

	1995	1994
Operations:		
Sales (Note 10)		
Export	33,403	32,033
Domestic	10,282	6,747
	43,685	38,780
Cost of sales		
Opening inventory of finished fish products	2,771	5,315
Add: fish purchases and processing expenses		
Initial payments to fishermen	24,345	18,383
Salaries, wages and benefits	4,402	4,013
Packing allowances and agency operating costs	3,619	3,609
Packaging and storage	1,508	1,329
Utilities and property taxes	1,011	889
Amortization of production assets	937	988
Repairs and maintenance	570	416
Fishermen's U.I.C. premiums	500	378
Other	46	(32)
	39,709	35,288
Less: ending inventory of finished fish products	3,546	2,771
	36,163	32,517
Gross income on operations	7,522	6,263
Marketing and administrative expenses		
Salaries and benefits	947	972
Data processing, office and professional services	857	605
Interest (Note 11)	418	543
Amortization of administration assets	241	321
Advertising and promotion	217	454
Bad debts	164	2
Board of Directors and Fishermen's Advisory Committee meetings fees and expenses	81	59
Other	79	41
	3,004	2,997
Income before provision for final payments to fishermen	4,518	3,266
Provision for final payments to fishermen (Note 8)	4,518	3,084
Net income for the year (Note 12)		182
Retained earnings at beginning of the year	4,153	3,971
Retained earnings at end of the year	4,153	4,153

The accompanying notes are an integral part of the financial statements.

STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED APRIL 30, 1995
(in thousands of dollars)

	1995	1994
Cash provided by (used for)		
Operating activities		
Net income for the year		182
Add (deduct) items not affecting cash		
Amortization	1,178	1,309
Gain on sale of capital assets	(17)	(4)
Net changes in non-cash working capital balances relating to operations	(1,404)	2,558
Cash (used for) provided by operations	(243)	4,045
Investing activities		
Additions to capital assets	(1,526)	(631)
Decrease in loan receivable	89	36
Proceeds on sale of capital assets	80	11
Cash used for investing activities	(1,357)	(584)
Financing activities		
Increase (decrease) in bank loans	(119)	419
Increase (decrease) in working capital loans from Canada	500	(300)
Cash provided by financing activities	381	119
Increase (decrease) in provision for final payments to fishermen	1,434	(3,606)
Increase (decrease) in cash during the year	215	(26)
Bank indebtedness at beginning of year	(226)	(200)
Bank indebtedness at end of year	(11)	(226)

The accompanying notes are an integral part of the financial statements.

FRESHWATER FISH MARKETING CORPORATION—*Continued*

NOTES TO FINANCIAL STATEMENTS
APRIL 30, 1995

1. AUTHORITY, OBJECTIVES AND OPERATIONS

The Corporation was established by the *Freshwater Fish Marketing Act* (the Act) in 1969, as a corporation without share capital, for the purpose of marketing and trading in fish, fish products and fish by-products in and out of Canada. The Corporation is an agent Crown corporation named in Schedule III, Part I of the *Financial Administration Act* and is required to conduct its operations on a self-sustaining basis. Total loans outstanding from Canada and from banks may not exceed $30 million.

The Corporation has the exclusive right to market the products of the commercial fishery in the provinces participating in the program in inter-provincial and export trade. Participation of the provinces of Manitoba, Saskatchewan, Alberta and Ontario and the Northwest Territories was established by agreement with the Government of Canada.

2. SIGNIFICANT ACCOUNTING POLICIES

Inventories

Finished fish products are recorded at the actual cost of fish purchases and the average actual cost for direct labour and overhead directly related to processing for the year. At year end, finished fish products are valued at the lower of cost and net realizable value. Packaging material and supplies are valued at the lower of cost and replacement cost.

Amortization

Amortization is based on the estimated useful lives of the assets using the following methods and annual rates:

Buildings	—Lake stations	Straight-line	5-10%
	—Plants	Straight-line	2 1/2%
Equipment	—Machinery and office equipment	Declining balance	10-40%
	—Automotive	Declining balance	30%
Fresh fish delivery tubs		Straight-line	10%
Vessels		Straight-line	6 2/3%

The costs for systems under development and plant assets being upgraded or purchased, but that are not yet operational, are charged to construction in progress. When the assets become operational, the cost is transferred to the appropriate capital asset classification and amortized accordingly.

Payments to fishermen and retained earnings

The Corporation purchases fish at initial prices established by the Board of Directors based upon operational forecasts prepared by the Corporation and the cost of such purchases is included in the cost of sales. Final payments to fishermen, if any, are approved by the Board of Directors after the end of the year, based on the results of operations for the year, and are excluded from the cost of sales. The final payments are made in respect of products purchased during the year and therefore are charged to operations of the current year. After the final payments are established, any remaining income for the year is recorded as retained earnings.

Foreign currency translation

Amounts receivable and payable denominated in foreign currency are translated into Canadian dollars at the year-end exchange rate. Transactions in foreign currency during the year are translated at the rate in effect at the time of the transactions. Foreign exchange gains and losses are included in interest expense.

Pension plan

Employees of the Corporation participate in the Public Service Superannuation Plan administered by the Government of Canada. The employees and the Corporation contribute equally to the cost of the plan. The Corporation's contributions are expensed on a current year basis, and represent the total pension obligations of the Corporation. The Corporation is not required under present legislation to make contributions with respect to actuarial deficiencies of the Public Service Superannuation Account.

3. ACCOUNTS RECEIVABLE

	1995	1994
	(in thousands of dollars)	
Trade	4,296	3,646
Other	552	483
Current portion of loan receivable	429	83
	5,277	4,212

4. INVENTORIES

	1995	1994
	(in thousands of dollars)	
Finished fish products	3,546	2,771
Packaging material and supplies	867	951
	4,413	3,722

5. LOAN RECEIVABLE

The loan receivable is secured by various capital assets and matures in December 1995.

6. CAPITAL ASSETS

	1995			1994
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
	(in thousands of dollars)			
Land	272		272	272
Buildings	6,930	4,127	2,803	2,888
Equipment	14,377	11,245	3,132	3,292
Fresh fish delivery tubs	1,964	1,654	310	239
Vessels	300	156	144	163
Construction in progress	969		969	491
	24,812	17,182	7,630	7,345

FRESHWATER FISH MARKETING CORPORATION—*Concluded*

NOTES TO FINANCIAL STATEMENTS
APRIL 30, 1995—*Concluded*

7. BANK INDEBTEDNESS AND LOANS

	1995	1994
	(in thousands of dollars)	
Bank indebtedness	11	226
Working capital loans from Canada	1,000	500
Current portion of bank loans	5,974	5,623
	6,985	6,349

The working capital loans from Canada are made under section 16(1) of the Act and bear interest at 8.0419 percent (1994—5.9434 percent). They are secured by promissory notes.

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	1995	1994
	(in thousands of dollars)	
Trade	982	879
Other	820	933
Provision for final payments to fishermen	4,518	3,084
	6,320	4,896

9. BANK LOANS

	1995	1994
	(in thousands of dollars)	
Promissory note, repayable in U.S. dollars, bearing interest at 6.3625 percent (3.9875 percent in 1994), maturing May 30, 1995	5,511	5,540
Unsecured loan, repayable in monthly instalments of $5,000 U.S., bearing interest at 9 percent, maturing December 31, 1995	463	553
	5,974	6,093
Less: current portion	5,974	5,623
		470

10. SALES COMMISSIONS

During the year, the Corporation paid commissions of $607,069 (1994—$576,448) to sales agents, which were netted against sales. Included in that amount are $550,399 (1994—$536,593) of commissions paid to the following foreign sales agents: Juhl Brokerage Incorporated, Associated Marketing Services Inc., R.M. Sloan Co., Benolken Brokerage Company, X. Sea. Lnt International Corp., Performance Foods, Great Lakes Marketing, McMahon & MacDonald Food Brokers, D.B. Clark Sales, Amende & Schultz Inc. - United States; I. LeGrand H. Malo et Cie - France; Lejos Oy - Finland; Rud Kanzow Gmbh & Co. - Germany; Bo E Sjostrom Trading AB - Sweden.

11. INTEREST EXPENSE

	1995	1994
	(in thousands of dollars)	
Interest on working capital loans from Canada	133	92
Interest on bank loans	355	247
(Gain) loss on foreign exchange	(31)	258
Interest income	(39)	(54)
	418	543

12. INCOME TAXES

The Corporation is eligible to deduct for tax purposes a portion of its eligible capital cost allowance, and accordingly has no taxable income for the year. At April 30, 1995, the excess of undepreciated capital cost over net book value of capital assets amounted to $1,205,419 (1994—$1,842,427) which can be used to reduce future years' taxable income.

13. SUBSEQUENT EVENT

In June 1995, the federal government adopted a number of measures in response to the Report of the Standing Committee on Fisheries and Oceans concerning the mandate and operations of the Corporation. The measures include the unconditional licensing of the purchase and sale of all rough fish (not including whitefish) for a three year period, the unconditional licensing of the purchase and sale of all fish from the community of Island Lake for a three year period, and the creation of an elected fishermen's advisory committee.

14. COMPARATIVE FIGURES

Certain 1994 comparative figures have been reclassified to reflect the presentation adopted in 1995.

GREAT LAKES PILOTAGE AUTHORITY LTD.

MANAGEMENT REPORT

The Great Lakes Pilotage Authority, Ltd. management is responsible for the preparation, integrity and fair presentation of the financial statements and other information in the Annual Report. This responsibility includes the selection of appropriate accounting principles and the exercise of careful judgement in establishing reasonable and accurate estimates in accordance with generally accepted accounting principles applied on a consistent basis and as appropriate in the circumstances. Financial information shown elsewhere in this annual report is consistent with that contained in the financial statements.

Management has developed and maintains accounting systems and internal controls designed to provide reasonable assurance that assets are safeguarded from loss or unauthorized use and that the financial records are reliable.

The Board of Directors approves these financial statements and carries out its responsibility in this regard principally through the Audit Committee of the Board. The Audit Committee reviews the results of audit examinations with respect to the Administration's accounting principles, practices and systems of internal control.

The financial statements have been audited by the Auditor General of Canada. His report states the extent of the audit examination and his opinion on the financial statements.

R.G. Armstrong
Chairman & Chief Executive Officer

R.F. Lemire, CA
Secretary/Treasurer

Cornwall, Canada

AUDITOR'S REPORT

TO THE MINISTER OF TRANSPORT

I have audited the balance sheet of Great Lakes Pilotage Authority, Ltd. as at December 31, 1994 and the statements of operations, retained earnings (deficit) and changes in financial position for the year then ended. These financial statements are the responsibility of the Authority's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Authority as at December 31, 1994 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles. As required by the *Financial Administration Act*, I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Authority that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Pilotage Act* and regulations, the *Canada Business Corporations Act* and the articles and by-laws of the Authority.

D. Larry Meyers, FCA
Deputy Auditor General
for the Auditor General of Canada

Ottawa, Canada
February 10, 1995

GREAT LAKES PILOTAGE AUTHORITY LTD.—*Continued*

BALANCE SHEET AS AT DECEMBER 31, 1994

ASSETS	1994	1993	LIABILITIES	1994	1993
	$	$		$	$
Current			Current		
Cash and short-term deposits	5,109,124	606,484	Accounts payable and accrued liabilities	3,341,457	1,990,430
Accounts receivable	2,472,389	1,673,949	Accrued employee termination benefits	112,997	
	7,581,513	2,280,433		3,454,454	1,990,430
Capital assets (Note 4)	45,206	54,633	Long-term		
			Accrued employee termination benefits	2,512,415	2,668,738
				5,966,869	4,659,168
			SHAREHOLDER'S EQUITY (DEFICIENCY)		
			Capital stock		
			Authorized—50 shares		
			Issued and fully paid—15 shares	1,500	1,500
			Contributed capital	82,074	82,074
			Retained earnings (deficit)	1,576,276	(2,407,676)
				1,659,850	(2,324,102)
	7,626,719	2,335,066		7,626,719	2,335,066

Commitments (Note 5)

Approved by the Board:

R.G. ARMSTRONG
Director

G. ST. MARSEILLE
Director

GREAT LAKES PILOTAGE AUTHORITY LTD.—*Continued*

STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 1994

	1994	1993
	$	$
Revenues		
Pilotage charges	13,782,853	9,299,386
Interest and other income	91,574	47,571
Despatching and pilot boat income (Note 6)	58,550	40,400
Life insurance experience gain	21,610	41,465
	13,954,587	9,428,822
Expenses		
Pilots' salaries and benefits	7,831,510	6,490,758
Staff salaries and benefits	983,217	1,065,699
Transportation and travel	936,077	657,651
Pilot boat services (Note 6)	325,172	288,799
Professional and special services	139,209	139,186
Employee termination benefits	131,251	286,501
Communications	65,978	57,197
Retired employee benefits	50,460	35,922
Utilities, materials and supplies	44,769	32,206
Rentals	41,979	55,947
Purchased despatching services	37,083	33,022
Amortization	16,432	20,212
Repairs and maintenance	14,111	9,516
Pilot training costs	1,054	12,751
Retiring incentives		203,500
	10,618,302	9,388,867
Net profit for the year	3,336,285	39,955

STATEMENT OF RETAINED EARNINGS (DEFICIT)
FOR THE YEAR ENDED DECEMBER 31, 1994

	1994	1993
	$	$
Balance, beginning of the year	(2,407,676)	(2,604,675)
Parliamentary appropriation to finance (Note 3):		
1992 cash operating loss		157,044
1993 cash operating loss	647,667	
Net profit for the year	3,336,285	39,955
Balance, end of the year	1,576,276	(2,407,676)

STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED DECEMBER 31, 1994

	1994	1993
	$	$
Cash provided by (used in):		
Operating activities		
Net profit for the year	3,336,285	39,955
Items not requiring cash		
Employee termination benefits accrual	131,251	286,501
Amortization	16,432	20,212
Net change in working capital components other than cash and short-term deposits	552,587	(658,807)
Employee termination benefits refunds	8,274	
Employee termination benefits payments	(182,851)	(994,335)
	3,861,978	(1,306,474)
Financing activities		
Parliamentary appropriation	647,667	1,157,044
Investing activities		
Increase in capital assets	(7,005)	(42,410)
Increase (decrease) in cash	4,502,640	(191,840)
Cash and short-term deposits, beginning of year	606,484	798,324
Cash and short-term deposits, end of year	5,109,124	606,484

GREAT LAKES PILOTAGE AUTHORITY LTD.—*Concluded*

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1994

1. Authority and objectives

The Great Lakes Pilotage Authority, Ltd. was established in February 1972 pursuant to the *Pilotage Act*, incorporated as a limited company in May 1972, and is continued under the *Canada Business Corporations Act*. Pursuant to the *Financial Administration Act*, the Authority is a Crown corporation listed in Schedule III Part I thereto. The Authority is a subsidiary of the St. Lawrence Seaway Authority but is deemed to be a parent corporation within the meaning of the *Financial Administration Act*.

The objectives of the Authority are to establish, operate, maintain and administer a safe and efficient pilotage service within designated Canadian waters. The Act provides that the pilotage tariffs shall be fair, reasonable and sufficient and, together with any revenue from other sources, shall permit the Authority to operate on a self-sustaining financial basis.

The Authority is exempt from any income taxes.

2. Significant accounting policies

Parliamentary appropriations

Parliamentary appropriations received to finance the cash deficiency are recorded in the year in which they are voted by Parliament. Any portion of the appropriations pertaining to operating expenditures requiring an outlay of funds is reflected in the statement of retained earnings (deficit). Any portion of the appropriations pertaining to the acquisition of capital assets is recorded as contributed capital.

Amortization

Amortization of capital assets is calculated on a straight-line basis and is based on the estimated useful lives of the assets as follows:

Buildings	20 years
Furniture and equipment	5 to 10 years

Pension plan

All employees are covered by the Public Service Superannuation Plan administered by the Government of Canada. Contributions to the Plan are required from both the employee and the Authority. Contributions with respect to current service are expensed in the current period. Contributions with respect to past service benefits are expensed when paid. The Authority is not required under present legislation to make contributions with respect to actuarial deficiencies of the Public Service Superannuation Account.

Employee termination benefits

Employees are entitled to specified benefits on termination as provided for under labour contracts and conditions of employment. The liability for these benefits is recorded in the accounts as the benefits accrue to the employees. The current liability reflects the accrued termination benefits of only those employees who have indicated their intention to terminate their employment within the coming year.

Employee life insurance plan

The Authority provides a life insurance plan for its employees. Surpluses and deficits from the plan are included in the Statement of Operations in the year in which they are incurred.

Retired employee benefits

The Authority contributes toward medical benefits and life insurance for those retired employees who elect for such coverage. The expense is recorded in the year in which it is incurred.

3. Parliamentary appropriation

The Authority has received in 1994 a parliamentary appropriation of $647,667 in the final Supplementary Estimates for 1993-94 for its cash deficiency arising from 1993 operations.

4. Capital assets

	1994			1993
	Cost	Accumulated amortization	Net	Net
	$	$	$	$
Land and buildings	63,642	63,177	465	615
Furniture and equipment	200,437	155,696	44,741	54,018
	264,079	218,873	45,206	54,633

5. Commitments

The Authority has a lease agreement for the rental of office space. Future minimum rental payments are:

	$
1995	38,235
1996	39,384
1997	40,569
1998	41,779
1999	3,490
	163,457

In addition, the Authority has contract commitments of approximately $290,000 for the land transportation services for the next year. Tenders have also been requested for some of the pilot boat services for the next two years. Expenditures for the services being tendered were approximately $290,000 in 1994.

6. Dispatching and pilot boat services to U.S. District No. 1 pilots

The Authority provides all dispatching services and pilot boat services in Port Weller to the U.S. District No. 1 pilots and the U.S. Authority provides pilot boat services for the Authority in Cape Vincent, New York. In past years, each Authority has billed the other for these services. Beginning in 1993, under an agreement, these services are exchanged for a nominal value of one dollar.

7. Related party transactions

The Authority is related in terms of common ownership to all Government of Canada created departments, agencies and Crown corporations. The Authority enters into transactions with these entities in the normal course of business.

HALIFAX PORT CORPORATION

AUDITORS' REPORT

TO THE HONOURABLE DOUGLAS YOUNG, P.C., M.P.
MINISTER OF TRANSPORT

We have audited the balance sheet of Halifax Port Corporation as at December 31, 1994, and the statements of earnings and surplus and changes in financial position for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 1994, and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Further, in our opinion, the transactions of the Corporation that have come to our notice during our examination of the financial statements have, in all significant respects, been in accordance with the *Financial Administration Act* and Regulations, the *Canada Ports Corporation Act*, and the by-laws of the Corporation.

Doane Raymond
Chartered Accountants

Halifax, Canada
January 26, 1995

BALANCE SHEET AS AT DECEMBER 31, 1994

ASSETS	1994	1993
	$	$
Current		
Cash	221,148	1,523
Investments (Note 3)	8,983,404	7,931,288
Accounts receivable	2,724,160	2,450,908
Grants in lieu of municipal taxes	152,875	142,594
Materials and supplies	54,294	53,955
	12,135,881	10,580,268
Accounts receivable	200,964	181,313
Property and equipment (Note 4)	55,171,073	55,533,536
	67,507,918	66,295,117

LIABILITIES	1994	1993
	$	$
Current		
Accounts payable and accrued liabilities	2,686,639	1,911,770
Deferred revenues	556,553	563,879
	3,243,192	2,475,649
Accrued employee benefits	664,308	714,911
	3,907,500	3,190,560
EQUITY		
Contributed capital	50,856,865	50,856,865
Surplus	12,743,553	12,247,692
	63,600,418	63,104,557
	67,507,918	66,295,117

Contingent liabilities (Note 5)
See accompanying notes.

On behalf of the Board:

MERVYN C. RUSSELL
Chairman of the Board

DAVID F. BELLEFONTAINE
President and Chief Executive Officer

HALIFAX PORT CORPORATION—*Continued*

STATEMENTS OF EARNINGS AND SURPLUS
FOR THE YEAR ENDED DECEMBER 31, 1994

	1994	1993
	$	$
Revenue from operations	11,308,049	10,801,089
Operating and administrative expenses	7,989,290	7,703,717
Depreciation	2,287,905	2,187,956
Grants in lieu of municipal taxes	921,932	985,400
	11,199,127	10,877,073
Earnings (loss) from operations	108,922	(75,984)
Investment income	381,644	377,919
Gain (loss) on disposal of fixed assets	5,295	(7,558)
	386,939	370,361
Net earnings	495,861	294,377
Surplus, beginning of year	12,247,692	11,953,315
Net earnings	495,861	294,377
Surplus, end of year	12,743,553	12,247,692

See accompanying notes.

STATEMENTS OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED DECEMBER 31, 1994

	1994	1993
	$	$
Cash derived from (applied to)		
Operating		
Net earnings	495,861	294,377
Depreciation	2,287,905	2,187,956
Other	(55,898)	(105,359)
	2,727,868	2,376,974
Change in non-cash operating working capital	211,890	(283,736)
	2,939,758	2,093,238
Financing		
Increase (decrease) in accounts receivable	(19,651)	41,781
Increase in accounts payable	289,849	196
	270,198	41,977
Investing		
Additions to property and equipment	(1,945,765)	(1,067,256)
Proceeds on disposal of assets	7,550	700
	(1,938,215)	(1,066,556)
Net increase in cash and short-term investments	1,271,741	1,068,659
Cash and short-term investments, beginning of year	7,932,811	6,864,152
Cash and short-term investments, end of year	9,204,552	7,932,811

See accompanying notes.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1994

1. LOCAL PORT CORPORATION

In accordance with the *Canada Ports Corporation Act*, sections 6.1 and 6.2, a petition for the establishment of a local port corporation at the Port of Halifax was approved and the Halifax Port Corporation was established effective June 1, 1984.

In accordance with the *Canada Ports Corporation Act*, the assets, liabilities and equity were transferred at their carrying values in the accounts of the Canada Ports Corporation—Port of Halifax to Halifax Port Corporation.

2. SIGNIFICANT ACCOUNTING POLICIES

Investments

The investments, which are direct and guaranteed securities of Canada, are shown at amortized cost. Premiums or discounts are amortized over the periods to maturity.

Fixed assets

Fixed assets are recorded at cost, except for those transferred to the Corporation from Canada, which are recorded at appraised or fair market value established at the time of transfer. Grants towards capital projects received from Canada and from third parties are deducted from the cost of the related fixed assets.

Depreciation is calculated on the straight-line basis for the full year, commencing with the year the asset becomes operational, using rates based on the estimated useful lives of the assets.

Pension costs

All permanent employees of the Corporation are covered by the Public Service Superannuation Plan administered by Canada. Contributions to the plan are required from both the employees and the Corporation. The annual contributions for pensions are recognized in the accounts on a current basis.

Grants in lieu of municipal taxes

The expense for grants in lieu of municipal taxes is based on estimated municipal assessments adjusted in accordance with the *Municipal Grants Act*. Grants are paid after the amounts have been audited by the Municipal Grants division of Public Works Canada. Any adjustments upon finalization are reflected in the accounts in the year of settlement.

Employee benefits

The Corporation accrues in its accounts, annually, the estimated liabilities for severance pay, annual leave, and overtime compensatory leave, which are payable to its employees in subsequent years under its collective agreements or in accordance with its policy.

3. INVESTMENTS

	1994		1993	
	Amortized cost	Face value	Amortized cost	Face value
	$	$	$	$
Short Term	8,983,404	9,199,000	7,931,288	8,099,000

HALIFAX PORT CORPORATION—*Concluded*

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1994—*Concluded*

4. PROPERTY AND EQUIPMENT

	1994				1993
	Depreciation rates	Cost	Accumulated depreciation	Net book value	Net book value
	%	$	$	$	$
Land		24,556,740		24,556,740	24,550,606
Dredging	2.5 - 6.7	3,443,290	2,540,994	902,296	950,013
Berthing structures	2.5 - 10	35,203,074	21,427,877	13,775,197	14,348,927
Buildings	2.5 - 10	19,513,667	12,925,657	6,588,010	6,456,593
Utilities	3.3 - 10	6,693,728	3,366,095	3,327,633	3,328,316
Roads and surfaces	2.5 - 10	8,994,743	6,422,409	2,572,334	2,721,559
Machinery and equipment	5 - 100	10,292,963	7,490,559	2,802,404	2,839,212
Office furniture and equipment	20	1,448,701	1,246,360	202,341	186,142
Projects under construction		444,118		444,118	152,168
		110,591,024	55,419,951	55,171,073	55,533,536

5. CONTINGENT LIABILITIES

The Corporation has been named as one of the defendants in a lawsuit for damages for which the plaintiff has quantified an amount of approximately $2 million. In the opinion of management this claim is without merit and therefore no provision has been made in the accounts.

INTERNATIONAL DEVELOPMENT RESEARCH CENTRE

RESPONSIBILITY FOR FINANCIAL STATEMENTS

The financial statements have been prepared by management in accordance with generally accepted accounting principles appropriate in the circumstances. Management also assumes responsibility for all other information in the annual report, which is consistent —where applicable— with that contained in the financial statements. In support of its responsibility, management maintains financial systems and practices to provide reasonable assurance as to the reliability of financial information, and that assets are safeguarded and the operations are carried out effectively. The Centre has an Internal Audit department whose functions include reviewing internal controls and their application on an ongoing basis.

The Board of Governors is responsible for ensuring that management fulfils its responsibilities for financial reporting and internal control. The Board benefits from the assistance of its Finance and Audit Committee in overseeing and discharging its financial management responsibility, which includes the review and approval of the financial statements. The Committee, which is made up of Governors, meets with management, the internal auditors, and the external auditors on a regular basis.

The Auditor General of Canada conducts an independent examination in accordance with generally accepted auditing standards and expresses his opinion on the financial statements. His examination includes appropriate tests and procedures to enable him to report whether the financial statements are presented fairly. The external auditors have full and free access to the Finance and Audit Committee of the Board.

AUDITOR'S REPORT

TO THE INTERNATIONAL DEVELOPMENT RESEARCH CENTRE
AND THE
MINISTER OF FOREIGN AFFAIRS

I have audited the balance sheet of the International Development Research Centre as at March 31, 1995 and the statements of operations, equity and changes in the financial position for the year then ended. These financial statements are the responsibility of the Centre's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Centre as at March 31, 1995 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

D. Larry Meyers, FCA
Deputy Auditor General
for the Auditor General of Canada

Ottawa, Canada
June 9, 1995

BALANCE SHEET AS AT MARCH 31, 1995
(in thousands of dollars)

ASSETS	1995	1994
Current		
Cash and short-term deposits (Note 3)	35,290	33,367
Accounts receivable	966	939
Prepaid expenses	1,602	1,362
	37,858	35,668
Other assets		
Capital assets (Note 4)	5,049	5,279
Recoverable deposits	165	113
Endowment funds (Note 5)	202	201
Total assets	43,274	41,261

LIABILITIES	1995	1994
Current		
Accounts payable and accrued liabilities (Note 6)	9,440	8,816
Contract research (Note 7)	4,217	3,528
	13,657	12,344
Other liabilities		
Accrued employee separation benefits	3,023	2,797
Deferred rent—Head Office	363	986
Endowment funds (Note 5)	202	201
Total liabilities	17,245	16,328
EQUITY		
Equity (Note 8)	26,029	24,933
Total liabilities and equity	43,274	41,261

Approved:

KEITH A. BEZANSON
President

ANTOINE HAWARA
Treasurer

INTERNATIONAL DEVELOPMENT RESEARCH CENTRE—*Continued*

STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 1995
(in thousands of dollars)

	1995	1994
Revenue		
Grant from Parliament of Canada	111,908	142,000
Investment and other income	2,885	821
Contract research (Note 7)	16,254	9,938
Total revenue	131,047	152,759
Expenses		
Development research activities		
Project grants	73,692	76,807
Contract research (Note 7)	16,254	9,938
	89,946	86,745
Research-related activities		
Technical support	12,109	12,598
Information dissemination	3,555	3,893
Development-research library	1,851	1,906
	17,515	18,397
Research operational support		
Regional offices	6,273	6,172
Division management	4,773	4,572
	11,046	10,744
Total research and support expenses	118,507	115,886
General management expenses	12,886	12,966
	131,393	128,852
Costs recovered (Note 9)	(1,442)	(962)
Total expenses	129,951	127,890
Excess of revenue over expenses	1,096	24,869

STATEMENT OF EQUITY
FOR THE YEAR ENDED MARCH 31, 1995
(in thousands of dollars)

	1995	1994
Balance at the beginning of the year	24,933	64
Excess of revenue over expenses	1,096	24,869
Balance at the end of the year	26,029	24,933

STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED MARCH 31, 1995
(in thousands of dollars)

	1995	1994
Operating activities		
Cash provided by (used in) operations		
Excess of revenue over expenses	1,096	24,869
Items not affecting cash		
Amortization of capital assets	1,390	1,541
Provision for restructuring program (adjustment)	(2)	163
Provision for employee separation benefits	319	347
Loss (gain) on disposal of capital assets	(18)	119
Amortization of deferred rent	(623)	(411)
	2,162	26,628
Changes in non cash operating assets and liability		
Accounts receivable	(27)	(105)
Prepaid expenses	(240)	9
Recoverable deposits	(52)	24
Accounts payable and accrued liabilities	681	(4,000)
Employee separation benefits	(148)	(517)
Contract research liability	689	2,781
	903	(1,808)
Cash provided by operating activities	3,065	24,820
Investing activities		
Additions to capital assets	(1,191)	(1,755)
Proceeds on disposal of capital assets	49	91
Cash used by investing activities	(1,142)	(1,664)
Increase in cash	1,923	23,156
Cash and short-term deposits at the beginning of the year	33,367	10,211
Cash and short-term deposits at the end of the year	35,290	33,367

INTERNATIONAL DEVELOPMENT RESEARCH CENTRE—*Continued*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1995
(in thousands of dollars)

1. Authority and objective

The International Development Research Centre, a Corporation without share capital, was established in 1970 by the Parliament of Canada through the *International Development Research Centre Act*. The annual grant received from the Parliament of Canada is pursuant to Foreign Affairs Vote 45 for the year ended March 31, 1995.

The objective of the Centre is to initiate, encourage, support, and conduct research into the problems of the developing regions of the world and into the means for applying and adapting scientific, technical, and other knowledge to the economic and social advancement of those regions.

On June 12, 1992 the Government of Canada announced that the mandate of the Centre would be broadened so as to deal specifically with the environment and related concerns.

2. Significant accounting policies

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles and reflect the following significant accounting policies.

Capital assets

Capital assets are recorded at cost and amortized over their estimated useful lives. Leasehold improvements are amortized over the terms of the respective leases. The methods and rates used to provide for the amortization of capital assets are:

	Method	Rate (%)
Computer equipment	Straight line	20
Leasehold improvements	Straight line	5-50
Office furniture and equipment	Diminishing balance	20
Vehicles	Diminishing balance	30
Telephone system	Straight line	20

Recognition of revenue

Parliamentary grants are recorded as revenue on an accrual basis. Revenue in respect of contract research is recognized at the time the related project expenses are incurred. Contract research funds received in excess of expenses are included in current liabilities.

Accrued employee separation benefits

Employees are entitled to specified termination benefits, calculated at salary levels in effect at the time of separation as provided for by conditions of employment. The liability for these benefits is recorded as the benefits accrue to employees.

Deferred rent

Any rent-free period or other incentives associated with long-term leases are deferred and amortized over the term of the lease on a straight-line basis.

Pension costs

Employees are covered by the Public Service Superannuation Plan administered by the Government of Canada. Contributions to the Plan are required from the employees and the Centre. These contributions represent the total liability of the Centre and are recognized in the accounts on a current basis. The Centre is not required under current legislation to make contributions with respect to actuarial deficiencies of the Public Service Superannuation Account.

Income taxes

The Centre is exempt from all income taxes.

Foreign-currency translation

Foreign-currency transactions are translated into Canadian dollars by the use of an average exchange rate that closely approximates the rate in effect at the transaction date. Monetary assets and liabilities are adjusted to reflect the rate of exchange in effect at year-end. Exchange gains and losses are included in operations for the current year.

3. Cash and investments

	1995	1994
Cash	535	(18)
Short-term deposits		
Canadian banks	19,114	13,621
Commercial companies	7,393	6,941
Federal and provincial governments	5,683	12,823
Foreign-owned banks	2,565	
	35,290	33,367

4. Capital assets

	1995			1994
	Cost	Accumulated amortization	Net	Net
Computer equipment	7,565	4,765	2,800	3,016
Leasehold improvements	1,770	751	1,019	973
Office furniture and equipment	1,545	966	579	615
Vehicles	1,002	511	491	477
Telephone system	1,004	844	160	198
	12,886	7,837	5,049	5,279

Amortization for the year ended March 31, 1995 amounted to $1,390 (1994—$1,541).

INTERNATIONAL DEVELOPMENT RESEARCH CENTRE—*Concluded*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1995—*Concluded*

5. Endowment funds

In 1987, the estate of the late John Bene established a fund to provide a postgraduate fellowship in the field of social forestry. During the same year, a former member of the Board of Governors of IDRC established a fund for applied or mission-oriented research. In 1990, the Centre received a contribution from the V International Conference on AIDS, which was used to establish a fund for the purpose of AIDS research in the Third World.

	1995	1994
Balance at the beginning of the year	201	229
Interest income	10	9
Expenses	(9)	(37)
Balance at the end of the year	202	201
John Bene	155	152
Governor	24	23
AIDS	23	26
Total endowment funds	202	201

6. Accounts payable and accrued liabilities

	1995	1994
Accrued liabilities—Projects	4,673	4,655
Other	3,392	2,729
Accrued annual and other leave benefits	1,375	1,432
	9,440	8,816

7. Contract research

Contract research relates to research conducted or managed by the Centre on behalf of other organizations. These are funded by other international agencies, CIDA, and other federal government entities.

Contract research expenses of $16,254 (1994, $9,938) include $9,703 (1994, $7,969) expended on behalf of CIDA. In addition, the Centre received $740 (1994, $492) as an administration fee from CIDA. Contract research current liabilities of $4,217 (1994, $3,528) include $3,047 held on behalf of CIDA (1994, $2,300).

8. Equity

In March 1994, the Centre received a supplementary grant of $27 million; $12 million was earmarked for the Micronutrient Initiative; the balance was to underwrite a health-support package in Africa. As of March 31, 1995, $20.8 million remained unspent from this supplementary amount.

9. Costs recovered

Overhead fees

The Centre charges an overhead fee to recover the indirect administrative expenses on its contract research activities that are wholly or partly funded by outside organizations.

	1995	1994
CIDA	740	492
Other	623	102
	1,363	594

Foreign-currency transactions

The Centre has received $79 (1994, $368) on foreign-currency transaction.

10. Operating leases commitments

The Centre has entered into various lease arrangements for staff accommodation in various countries and for office premises and equipment in Canada and abroad. In December 1993, the Centre entered into a new lease agreement for its head office premises in Ottawa. This new lease will commence in November 1995 and expire in October 2007. The total minimum annual payments under various lease arrangements will be:

1996	5,718
1997	5,280
1998	4,944
1999	4,909
2000	5,002
2001-2007	40,988
Total	66,841

11. Contractual commitments—Project grants and project development

The Centre is committed to make payments up to $136 million during the next four years subject to funds being provided by Parliament or external donors and subject to compliance by recipients with the terms of project agreements. The Centre has also submitted formal grant offers to prospective recipients totaling $3.1 million and is awaiting acceptance of these offers.

12. Related party transactions

In addition to those related party transactions disclosed elsewhere in these financial statements, the Centre is related in terms of common ownership to all Government of Canada created departments, agencies, and Crown corporations. The Centre enters into transactions with these entities in its normal course of business.

13. Contingency

A claim of approximately $800 (thousand) relating to a leased property was filed. Management, based on advice of legal counsel, believes that payment of this liability is unlikely.

LAURENTIAN PILOTAGE AUTHORITY

STATEMENT OF MANAGEMENT RESPONSIBILITY

The management of the Corporation is responsible for the performance of the duties delegated to them by its Board of Directors. These include the preparation of the annual report and the production of its content, including the financial statements. The financial statements were prepared in accordance with generally accepted accounting principles appropriate in the circumstances and consistently applied, and include estimates based on management's experience and judgement. The financial statements have been approved by the Board of Directors. Other financial and operating information appearing in the annual report are consistent with that contained in the financial statements.

Management maintains books and records, financial and management control, information systems and management practices designed in such a manner as to provide reasonable assurance that: reliable and accurate financial information is produced on a timely basis; assets are safeguarded and controlled; transactions are in accordance with Part X of the *Financial Administration Act* and its regulations as well as the *Pilotage Act* and regulations and by-laws of the Corporation and any directives given to it; resources are managed economically and efficiently, and that the operations of the Corporation are carried out effectively.

The Corporation's internal auditor, who reports independently to the Board of Directors is responsible for assessing the financial and management control and information systems and management practices of the Corporation. The Auditor General of Canada conducts an independent audit of the financial statements of the Corporation in accordance with generally accepted auditing standards.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control, and exercises this responsibility through the Audit Committee composed of three directors whom are not employees of the Corporation. The Audit Committee discharges the responsibilities conferred upon it by the Board of Directors, and meets on a regular basis with management, the internal auditor and the Auditor General of Canada, who has unrestricted access to the Committee.

Yvon Matte
Director to the administration

Montréal, Canada

AUDITOR'S REPORT

TO THE MINISTER OF TRANSPORT

I have audited the balance sheet of Laurentian Pilotage Authority as at December 31, 1994 and the statements of operations, contributed capital, deficit and changes in financial position for the year then ended. These financial statements are the responsibility of the Authority's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Authority as at December 31, 1994 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles. As required by the *Financial Administration Act*, I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

Section 33 of the *Pilotage Act* requires the Authority to obtain the approval of the Governor in Council before applying regulations prescribing the tariffs. On September 7, 1994, the Governor in Council approved such a regulation which contains an increase of tariff of pilotage charges. During my audit, it came to my notice that the Authority has implemented this tariff increase as of July 4, 1994. At this date, the Governor in Council, pursuant to section 64 of the *National Transportation Act*, varied the decision of the National Transportation Agency, which denied any increase of tariff to the Authority, by increasing the tariff of pilotage charges by 8.9%. Although the Governor in Council effectively agreed to an increase of tariff, I am of the opinion that the Authority could not apply this increase as of July 4, because this decision was strictly to vary the decision of the National Transport Agency and not to authorize the application of the new regulation. Therefore, the application of the new regulation was not in compliance with the *Pilotage Act* and has resulted in an unauthorized collection of pilotage charges totaling $450,000.

Furthermore, in my opinion, except for the collection of tariffs which were not approved in accordance with the requirements of Section 33 of the *Pilotage Act* as described in the preceding paragraph, the transactions of the Authority that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Pilotage Act* and regulations and the by-laws of the Authority.

L. Denis Desautels, FCA
Auditor General of Canada

Ottawa, Canada
February 10, 1995

LAURENTIAN PILOTAGE AUTHORITY—*Continued*

BALANCE SHEET AS AT DECEMBER 31, 1994

ASSETS	1994	1993	LIABILITIES	1994	1993
	$	$		$	$
Current			Current		
Accounts receivable	7,407,465	5,392,478	Bank indebtedness	404,307	825,854
Receivable from Canada		1,000,000	Accounts payable	6,832,062	5,972,725
	7,407,465	6,392,478		7,236,369	6,798,579
Capital (Note 4)	2,673,789	2,324,584	Provision for employee termination benefits	721,000	714,000
Less: accumulated amortization	1,983,088	1,859,582		7,957,369	7,512,579
	690,701	465,002	Contingencies (Note 5)		
			EQUITY OF CANADA		
			Contributed capital	1,345,920	1,278,088
			Deficit	(1,205,123)	(1,933,187)
				140,797	(655,099)
	8,098,166	6,857,480		8,098,166	6,857,480

Approved by the Authority:

JACQUES MARQUIS
Chairman

RICHARD FOURNIER
Member

LAURENTIAN PILOTAGE AUTHORITY—*Continued*

STATEMENT OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 1994

	1994	1993
	$	$
Revenues		
Pilotage charges	33,295,550	26,934,473
Interest and other revenues	58,600	31,388
	33,354,150	26,965,861
Expenses		
Pilots' fees, salaries and benefits	30,023,465	26,944,542
Operating costs of pilot boats	3,484,958	2,751,247
Staff salaries and benefits	1,810,554	1,924,868
Professional services and members' allowances	447,573	524,218
Rentals	174,839	211,954
Transportation, travel and hospitality	141,204	147,064
Communications	123,389	148,703
Utilities, material and supplies	92,561	88,640
Maintenance	47,457	49,020
Financing costs	24,436	29,187
Other	158,239	111,709
	36,528,675	32,931,152
Net loss for the year	3,174,525	5,965,291

STATEMENT OF CHANGES IN FINANCIAL POSITION FOR THE YEAR ENDED DECEMBER 31, 1994

	1994	1993
	$	$
Operating activities		
Net loss for the year	(3,174,525)	(5,965,291)
Non-cash items:		
Amortization	142,147	93,702
Increase (decrease) in the provision for employee termination benefits	7,000	(58,000)
	(3,025,378)	(5,929,589)
Increase in accounts receivable	(2,014,987)	(314,898)
Increase in accounts payable	859,337	399,778
	(4,181,028)	(5,844,709)
Investing activities		
Additions to capital assets—Net	(367,846)	(67,832)
Financing activities		
Parliamentary appropriations	4,970,421	6,153,099
Bank indebtedness		
Decrease for the year	421,547	240,558
Balance at beginning of the year	(825,854)	(1,066,412)
Balance at end of the year	(404,307)	(825,854)

STATEMENT OF CONTRIBUTED CAPITAL FOR THE YEAR ENDED DECEMBER 31, 1994

	1994	1993
	$	$
Balance at beginning of the year	1,278,088	1,205,697
Parliamentary appropriation to finance the previous year's acquisition of capital assets	67,832	72,391
Balance at the end of the year	1,345,920	1,278,088

STATEMENT OF DEFICIT FOR THE YEAR ENDED DECEMBER 31, 1994

	1994	1993
	$	$
Balance at beginning of the year	1,933,187	1,548,604
Net loss for the year	3,174,525	5,965,291
Parliamentary appropriations to finance the operating deficit:		
—Previous year	(929,589)	(580,708)
—Current year (Note 3)	(2,973,000)	(5,000,000)
Balance at end of the year	1,205,123	1,933,187

LAURENTIAN PILOTAGE AUTHORITY—*Continued*

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1994

1. Authority and activities

The Laurentian Pilotage Authority was established in 1972 under the *Pilotage Act*. Its objectives are to establish, operate, maintain and administer in the interests of safety an efficient pilotage service within certain designated Canadian waters in and around the Province of Quebec. The Act provides that pilotage tariffs shall be fair and reasonable and assure a revenue which, together with any revenue from other sources, is sufficient to permit the Authority to operate on a self-sustaining basis.

The Authority is a Crown corporation named in Part I of Schedule III to the *Financial Administration Act*.

2. Significant accounting policies

Capital assets

Capital assets obtained from Canada when the Authority was established were recorded at the then assigned values. Capital assets purchased subsequently by the Authority are recorded at cost.

Capital assets are amortized using the straight-line method, at rates based on the estimated useful lives of the assets.

Contributed capital

The values assigned to the capital assets obtained from Canada when the Authority was established and the net cost of capital assets financed from parliamentary appropriations are recorded as contributed capital.

Parliamentary appropriations

Parliamentary appropriations received to finance the excess of expenses over revenues are recorded in the year in which they are voted by Parliament, to contributed capital for that portion pertaining to the acquisition of capital assets and to the deficit for that pertaining to operations. In this respect, operating expenses include only those which require an outlay of funds.

Pension plan

Employees participate in the Superannuation Plan administered by the Government of Canada. The employees and the Authority contribute equally to the cost of the Plan. This contribution represents the total liability of the Authority. Contributions in respect of current service and of admissible past service are expensed when paid. The terms of payment of past service contributions are set by the applicable purchase conditions, generally over the number of years of service remaining prior to retirement.

The Authority is not required under present legislation to make contributions with respect to actuarial deficiencies of the Public Service Superannuation Account.

Employee termination benefits

On termination of employment, employees are entitled to certain benefits provided for under their collective agreements and their conditions of employment. The cost of these benefits is expensed in the year in which they are earned.

3. Parliamentary appropriations

In the 1994-95 Main Estimates, Parliament approved an appropriation of $2,973,000 to cover a portion of the excess of expenses over revenues of the Authority for the year 1994. On December 15, 1994, Treasury Board approved the inclusion, in the 1994-95 Supplementary Estimates of an appropriation of up to $2,204,000 to cover the balance of the excess of expenses over revenues of the Authority for the year 1994.

4. Capital assets

Details of capital assets are as follows:

	1994			1993
	Cost	Accumulated amortization	Net	Net
	$	$	$	$
Land	9,300		9,300	9,300
Buildings	57,572	26,219	31,353	6,144
Pilot boats	1,672,434	1,309,973	362,461	146,357
Furniture and fixtures	149,481	91,811	57,670	61,173
Communications equipment	217,368	141,932	75,436	21,791
Computer equipment	174,967	107,404	67,563	118,339
Boarding facilities	223,634	187,426	36,208	42,737
Wharf improvements	169,033	118,323	50,710	59,161
	2,673,789	1,983,088	690,701	465,002

Amortization for the year is $142,147 ($93,702 in 1993).

The estimated useful lives for the major categories of capital assets for the purposes of calculating amortization are as follows:

Buildings	10 years
Pilot boats	10 and 15 years
Furniture and fixtures	10 years
Communications equipment	10 years
Computer equipment	5 years
Boarding facilities	10 and 20 years
Wharf improvements	20 years

5. Contingencies

(a) Tariff amendment

On July 4, 1994, by an Order in Council which varied Decision 712-W-1993 of the National Transportation Agency, the Authority applied a modification of 8.9% to its tariff of pilotage charges. An application seeking to cancel this Decision has been filed with the Federal Court on behalf of certain users. The application purports to have the court declare that the appeal procedure set out in the *National Transportation Act* is not a recourse which may be used by the Pilotage Authority and that accordingly the National Transportation Agency's decision disallowing any tariff increase should be maintained.

LAURENTIAN PILOTAGE AUTHORITY—*Concluded*

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1994—*Concluded*

(b) Other claims and lawsuits

In connection with its operations, the Authority is the claimant or defendant or otherwise involved in pending claims and lawsuits. Some of the claims or lawsuits are for the purpose of contesting the validity of certain of the Authority's regulations or the application. Those claims and lawsuits amount to approximately $4,300,000. It is the opinion of management that these actions will not result in any material liabilities to the Authority. No provision has been recorded in the accounts in this regard.

Any payments by the Authority as a result of the abovementioned issues will be charged to operations in the year in which a decision is rendered.

6. Related party transactions

The Authority is related in terms of common ownership to all Government of Canada created departments, agencies and Crown corporations. The Authority enters into transactions with these entities in the normal course of business.

7. Subsequent events

On February 3, 1995, the Authority entered into contract of $2,102,000 for the construction of a pilot boat which the estimated cost is $2,400,000. The terms and conditions for the financing are to be approved by the Minister of Finance. The Authority intends to recover the vessel's cost through a tariff surcharge to users of the pilotage services.

8. Comparative financial data

Certain amounts pertaining to the year ended December 31, 1993, have been reclassified to conform with the presentation adopted for year ended December 31, 1994.

MARINE ATLANTIC INC.

MANAGEMENT RESPONSIBILITIES FOR FINANCIAL REPORTING

The preparation and presentation of the consolidated financial statements is the responsibility of Marine Atlantic Inc.'s management. These financial statements have been prepared in accordance with Canadian generally accepted accounting principles consistently applied using management's best estimates and judgements that are considered appropriate to the Corporation's circumstances. Management also relies on an actuarial report to record the activities of the pension fund.

Management is responsible for the reliability and integrity of the consolidated financial statements including the notes to the statements and other financial information contained in the annual report. In addition, management is also responsible for maintaining books of account, information systems, systems of financial and management control, and a comprehensive internal audit program. These managerial controls and procedures are intended to provide reasonable assurance that accurate financial information is available, that assets are safeguarded and controlled, that resources are managed efficiently, and that transactions are conducted in accordance with relevant legislation and the Corporation's articles of incorporation and by-laws.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Board oversees its responsibilities through the Audit Committee. The Committee reviews matters related to accounting, auditing, internal control systems, and the financial statements.

KPMG Peat Marwick Thorne and the Auditor General of Canada, the independent auditors of the Corporation appointed under the *Financial Administration Act*, have audited the Corporation's consolidated financial statements in accordance with generally accepted auditing standards. The independent auditors have full and unrestricted access to the Audit Committee to discuss their audit and related findings and the adequacy of the system of internal controls.

The consolidated financial statements and the annual report have been approved by the Board of Directors.

D.J. Weaver
Vice-President, Finance and Administration

R. Morrison
President

AUDITORS' REPORT

TO THE MINISTER OF TRANSPORT

We have audited the consolidated balance sheet of Marine Atlantic Inc. as at December 31, 1994 and the consolidated statements of earnings, deficit and changes in financial position for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 1994 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles. As required by the *Financial Administration Act,* we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in our opinion, the transactions of the Corporation and of its wholly-owned subsidiaries that have come to our notice during our audit of the consolidated financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Marine Atlantic Inc. Acquisition Authorization Act* and the articles of incorporation and by-laws of the Corporation and its wholly-owned subsidiaries.

Wm. F. Radburn, FCA
Assistant Auditor General for
the Auditor General of Canada

Ottawa, Canada

KPMG Peat Marwick Thorne
Chartered Accountants

Moncton, Canada
February 15, 1995

MARINE ATLANTIC INC.—*Continued*

CONSOLIDATED BALANCE SHEET
DECEMBER 31, 1994
(with comparative figures for 1993)
(in thousands of dollars)

ASSETS	1994	1993
Current assets:		
Cash (Note 3)	5,523	931
Accounts receivable	12,014	9,932
Receivable from Government of Canada (Note 4)		2,115
Work in progress	429	133
Inventory of fuel and supplies	5,593	5,256
Prepaid expenses	4,969	1,935
	28,528	20,302
Capital assets and deferred charges (Note 5)	367,555	382,827
	396,083	403,129

LIABILITIES AND SHAREHOLDER'S DEFICIENCY	1994	1993
Current liabilities:		
Bank indebtedness	3,283	742
Accounts payable and accrued liabilities	23,538	20,850
Accrued vacation pay	9,416	9,504
Payable to Government of Canada (Note 4)	2,648	
	38,885	31,096
Long-term debt (Note 6)	8,065	8,065
Deferred capital assistance (Note 7)	362,349	377,358
SHAREHOLDER'S DEFICIENCY:		
Share capital (Note 8)	258,530	258,530
Deficit	(271,746)	(271,920)
	(13,216)	(13,390)
Commitments and contingencies (Notes 2 (i) and 10)		
	396,083	403,129

See accompanying notes to consolidated financial statements.

On behalf of the Board:

ALAN K. SCALES
Director

D.W. STEVENSON
Director

MARINE ATLANTIC INC.—*Continued*

CONSOLIDATED STATEMENT OF EARNINGS
YEAR ENDED DECEMBER 31, 1994
(with comparative figures for 1993)
(in thousands of dollars)

	1994	1993
Revenue:		
Commercial revenue	84,525	79,847
Vessel repairs	25,914	4,146
Interest and other income	4,063	1,005
	114,502	84,998
Operating expenses:		
Wages and benefits	101,125	102,656
Materials	20,141	21,152
Fuel	19,813	20,849
Contracted services	18,314	18,198
Insurance, rent and utilities	9,417	9,554
Other	11,704	12,829
Other services	34,066	15,267
Amortization	29,424	28,086
	244,004	228,591
Loss from operations	(129,502)	(143,593)
Amortization of deferred capital assistance (Note 7)	29,161	27,823
Government funding:		
Government contract revenue received	109,212	115,506
Government contract revenue reprofiled (Note 4)	(14,622)	(6,102)
Subsidies and contracted services	5,925	6,061
Net earnings (loss)	174	(305)

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF DEFICIT
YEAR ENDED DECEMBER 31, 1994
(with comparative figures for 1993)
(in thousands of dollars)

	1994	1993
Deficit, beginning of year	(271,920)	(271,615)
Net earnings (loss)	174	(305)
Deficit, end of year	(271,746)	(271,920)

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES
IN FINANCIAL POSITION
YEAR ENDED DECEMBER 31, 1994
(with comparative figures for 1993)
(in thousands of dollars)

	1994	1993
Cash provided by (used in):		
Operations:		
Net earnings (loss)	174	(305)
Items not involving cash:		
Amortization	29,424	28,086
Amortization of deferred capital assistance	(29,161)	(27,823)
Change in non-cash operating working capital	1,614	(3,167)
	2,051	(3,209)
Financing:		
Capital assistance	14,152	18,915
Investments:		
Expenditures on capital assets and deferred charges	(14,152)	(18,915)
Proceeds on disposal of capital assets		9
	(14,152)	(18,906)
Increase (decrease) in cash	2,051	(3,200)
Cash, beginning of year	189	3,389
Cash, end of year	2,240	189
Cash is comprised of the following:		
Cash	5,523	931
Bank indebtedness	(3,283)	(742)
	2,240	189

See accompanying notes to consolidated financial statements.

MARINE ATLANTIC INC.—*Continued*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 1994
(in thousands of dollars)

1. Nature of operations and authority

The *Marine Atlantic Inc. Acquisition Authorization Act* was proclaimed in 1986. In accordance with the Act, the Corporation's articles restrict the business that it may carry on to the acquisition, establishment, management and operation of a marine transportation service, a marine maintenance repair and refit service, a marine construction business and any service or business related thereto. Marine Atlantic Inc. is a Crown corporation listed in Schedule III, Part I of the *Financial Administration Act* and is not subject to income tax under the provisions of the *Income Tax Act*.

The Corporation's activities are also governed by agreements negotiated with the Government of Canada. The agreements provide, among other things, for the Corporation to receive contract revenues from the Government of Canada to the extent that the cost of providing ferry, coastal, terminal and water services is not recovered from commercial revenues. In addition, and subject to parliamentary appropriations, amounts are received to finance the acquisition of capital assets on a proven cash needs basis. The allocation of funds received in respect of contract revenue and the acquisition of capital assets are subject to approval by the Minister of Transport. As a result, the Corporation is economically dependent on the Government of Canada for the funds it receives through these arrangements.

2. Significant accounting policies

(a) Basis of presentation:

These consolidated financial statements include the accounts of the Corporation and its wholly-owned subsidiaries Coastal Transport Limited and Newfoundland Dockyard Corporation. All intercompany transactions have been eliminated in these consolidated financial statements.

(b) Government funding:

Revenues received, to fund operating expenses in excess of commercial revenues, under contract to provide ferry service to Atlantic Canada are based on operating budgets approved by the Government of Canada for each year and are included in income in the year. At the end of the fiscal year, excess government contract revenue is reprofiled to eliminate any cash operating surplus.

Amounts received or receivable from the Government of Canada under the Capital Funding Agreement are restricted for the purchase of capital assets. These funds are recorded as Deferred Capital Assistance in the year in which the related capital assets are recorded, and are amortized to income on the same basis and over the same periods as the related capital assets are amortized.

In accordance with the operating and capital agreements, capital assistance receivable at year end is reduced by excess operating contract revenue.

(c) Work in progress:

Ship repair and maintenance activities of the Newfoundland Dockyard Corporation are valued on a percentage of completion basis.

(d) Inventory of fuel and supplies:

Inventories are valued at the lower of cost and replacement cost. Cost is determined on a weighted-average basis.

(e) Capital assets:

Capital assets are carried at cost less accumulated amortization. Deferred charges, consisting mainly of dredging costs, are accounted for at cost less accumulated amortization.

(f) Amortization:

Amortization is calculated at rates sufficient to write off capital assets over their estimated useful lives generally on a straight-line basis. The rates for significant classes of assets are as follows:

Asset	Rate
Vessels	5%
Terminal properties	2.5%
Equipment	10%, 12.5% and 25%
Leasehold improvements	lesser of 5 years or term of lease
Deferred charges	straight-line basis over 60 months

(g) Vessel spare parts:

The Corporation maintains spare parts for vessels in service. The cost of spare parts is charged to operations when the spare parts are acquired.

(h) Foreign currency translation:

Monetary assets and liabilities denominated in a foreign currency are translated at exchange rates in effect at the balance sheet date. Gains and losses arising on translation are included in interest and other income for the year. Other assets and liabilities, revenues and expenses are translated using exchange rates in effect at the date of the transaction.

(i) Employee compensation:

(i) Pension plans:

Substantially all of the Corporation's employees are covered by a defined benefit retirement plan. Pension costs related to benefits earned by employees in the current year are charged to earnings. The last actuarial valuation at December 31, 1993 identified a net deficiency for the plan, which is being amortized on a straight-line basis over the estimated average remaining service lives of the related employee group.

MARINE ATLANTIC INC.—*Continued*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 1994—*Continued*

(ii) Personal injury costs:

Certain employees, retired as a result of injury, receive specified benefits. These benefits are administered and paid by the workers' compensation boards of the four Atlantic provinces. The Corporation recognizes the benefit payouts as an expense in the year paid to the workers' compensation boards.

3. Cash

	1994	1993
Cash	4,998	472
Restricted cash	525	459
	5,523	931

The restricted cash balance arose as a result of a court in France requiring a certified cheque as security, pending the resolution of claims against a Marine Atlantic Inc. vessel on charter (see Note 10(f)).

4. Receivable from (payable to) Government of Canada

As described in Note 2(b), capital assistance receivable at year end is reduced by the amount of excess operating contract revenue received, as follows:

	1994	1993
Government contract revenue reprofiled	(14,622)	(6,102)
Receivable under Capital Funding Agreement	8,309	3,911
Funds transferred to subsidiary	3,500	2,578
Payable to subsidiary	165	
Capital assistance receivable (payable)	(2,648)	387
In addition to the Operating and Capital Funding Agreements, the Government of Canada has agreed to make contributions to Newfoundland Dockyard Corporation through its parent, Marine Atlantic Inc., to cover operating and capital requirements.		
Receivable under funding agreements of subsidiary		1,728
Receivable from (payable to) Government of Canada	(2,648)	2,115

5. Capital assets and deferred charges

	1994			1993
	Cost	Accumulated amortization	Net book value	Net book value
Vessels	457,980	195,407	262,573	278,383
Terminal properties	121,871	38,558	83,313	80,965
Equipment	43,505	22,705	20,800	22,520
Leasehold improvements	1,145	315	830	885
	624,501	256,985	367,516	382,753
Deferred charges	5,629	5,590	39	74
	630,130	262,575	367,555	382,827

6. Long-term debt

Province of Newfoundland debenture, with an interest rate of 16.55 percent, maturing in the year 2008. Under the terms of the Province of Newfoundland debenture, payment of non-cumulative annual interest and principal are required to the extent that annual funds are available from Newfoundland Dockyard Corporation. To date, no payments have been required. At maturity, the unpaid balance of the principal amount of the debenture shall cease to be an obligation of the Corporation.

7. Deferred capital assistance

In accordance with changes in 1986 in the contractual funding agreements, future amortization on those capital assets and deferred charges acquired prior to January 1, 1987, and which had substantially been financed through the issue of share capital, were no longer recoverable under contracts with the Government of Canada.

Management adjusted the retained earnings in 1986 by $290,600 in their belief that the Corporation would not generate sufficient commercial revenue to recover these costs. As the related assets are amortized or disposed of, deferred capital assistance is reduced on the same basis. Amounts received or receivable from the Government of Canada to finance the acquisition of capital assets are credited to this account as well (see Note 2 (b)).

8. Share capital

The authorized share capital of the Corporation is comprised of an unlimited number of common shares of no par value. As at December 31, 1994 and 1993, 517,061 shares at $0.50 per share have been issued and fully paid.

9. Related party transactions

The Corporation is related in terms of common ownership to all Government of Canada created departments, agencies and Crown corporations. The Corporation enters into transactions with these entities in the normal course of business.

MARINE ATLANTIC INC.—*Concluded*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 1994—*Concluded*

10. Commitments and contingencies

(a) The total amount required to complete contracted capital assets under construction at December 31, 1994 is estimated to be $5,528 (1993—$3,421).

(b) The Corporation makes use of property which is available through operating leases. The minimum annual lease payments are as follows: 1995—$1,648; 1996—$1,588; 1997—$1,558; 1998—$1,558; 1999—$485; and future periods—$484.

(c) The Corporation charters vessels to complement its existing fleet. The minimum annual vessel charter payments are as follows: 1995—$2,774; and 1996—$866.

(d) The Corporation is in receipt of claims estimated at $4,500. Any final determination as to the Corporation's exposure is presently unknown. The financial statements reflect the accrual of management's best estimate of the liability.

(e) The Corporation has incurred expenses during the year to clean up oil which is seeping from land in St.John's, Newfoundland, on which the Corporation is situated. The Corporation is currently undertaking a study to determine the extent of the future clean-up costs, if any. Management is not able to determine the extent of future clean-up costs, if any, that may arise in this regard.

(f) The Corporation's bank has provided letters of guarantee to a French bank totalling $578. These guarantees were issued to cover the funds drawn on the French account (see Note 3) and the claims against a Marine Atlantic Inc. charter vessel.

(g) The Corporation has provided letters of guarantee to the Fisheries Loan Board of Newfoundland for the guaranteed performance of a contract in the amount of $538.

11. Pensions

The value of the accrued pension benefit for service rendered to December 31, 1994 of $370,502 (1993—$333,553) has been determined by the Corporation's actuaries using best estimate assumptions provided by management based on extrapolation of the results of the December 31, 1993 actuarial valuation.

The actuarial value of pension fund assets as at December 31, 1994 is $367,793 (1993—$356,137) based on calculations from the Corporation's actuaries.

12. Comparative figures

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year.

MONTRÉAL PORT CORPORATION

AUDITORS' REPORT

TO THE HONOURABLE DOUGLAS YOUNG, P.C., M.P.
MINISTER OF TRANSPORT

We have audited the balance sheet of Montréal Port Corporation as at December 31, 1994 and the statements of earnings, contributed capital and retained earnings and of changes in financial position for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 1994 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Furthermore, in our opinion, the transactions of the Corporation that have come under our notice in the course of our examination of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, and with the charter and by-laws of the Corporation.

Samson Bélair/Deloitte & Touche
Chartered Accountants

Montréal, Canada
February 3, 1995

BALANCE SHEET
AS AT DECEMBER 31, 1994
(in thousands of dollars)

ASSETS	1994	1993
Current assets		
Cash	166	606
Investments (Note 3)	35,126	21,675
Accounts receivable	11,831	11,673
Materials and supplies	738	781
	47,861	34,735
Long-term investments (Note 3)	27,595	27,456
Fixed assets (Note 4)	158,719	162,371
Deferred costs	601	636
Other assets	587	1,390
	235,363	226,588
CURRENT LIABILITIES	**1994**	**1993**
Accounts payable and accrued liabilities (Note 5)	8,951	6,981
Grants in lieu of municipal taxes	3,966	1,872
	12,917	8,853
Accrued employee benefits	4,067	4,339
Loans from the Government of Canada (Note 6)	3,525	4,111
	20,509	17,303
EQUITY OF THE GOVERNMENT OF CANADA		
Contributed capital	153,919	153,919
Retained earnings	60,935	55,366
	214,854	209,285
	235,363	226,588

See accompanying notes.

Approved by the Board:

ANDRÉ GINGRAS
Chairman of the Board

DOMINIC J. TADDEO
President and Chief Executive Officer

MONTRÉAL PORT CORPORATION—*Continued*

STATEMENT OF EARNINGS
FOR THE YEAR ENDED DECEMBER 31, 1994
(in thousands of dollars)

	1994	1993
Revenue from operations	56,906	52,395
Operating and administrative expenses	34,362	35,145
Depreciation of fixed assets	10,310	10,762
Grants in lieu of municipal taxes	6,769	4,767
	51,441	50,674
Earnings from operations	5,465	1,721
Investment revenue	4,630	3,881
Earnings before the following items	10,095	5,602
Write-off of fixed assets	(1,418)	
Gain on realization of investment in a business held for resale		5,840
Net earnings	8,677	11,442

See accompanying notes.

STATEMENT OF CONTRIBUTED CAPITAL AND
RETAINED EARNINGS
FOR THE YEAR ENDED DECEMBER 31, 1994
(in thousands of dollars)

	1994	1993
Contributed capital		
Balance, beginning of year	153,919	158,919
Special contribution to the Government of Canada		(5,000)
Balance, end of year	153,919	153,919
Retained earnings		
Balance, beginning of year	55,366	45,722
Net earnings	8,677	11,442
Dividends	(3,108)	(1,798)
Balance, end of year	60,935	55,366

See accompanying notes.

STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED DECEMBER 31, 1994
(in thousands of dollars)

	1994	1993
Operating activities		
Net earnings	8,677	11,442
Items not affecting cash		
Depreciation of fixed assets	10,310	10,762
Amortization of deferred costs	35	35
Loss (gain) on disposal of fixed assets	(15)	84
Increase (decrease) in accrued employee benefits	(272)	477
Gain on realization of investment in a business held for resale		(5,840)
Write-off of fixed assets	1,418	
	20,153	16,960
Changes in non-cash operating working capital items (Note 7)	3,914	(1,773)
	24,067	15,187
Financing activities		
Repayment of current portion of loans from the Government of Canada	(551)	(519)
Dividends paid	(3,108)	(1,798)
Special contribution to the Government of Canada		(5,000)
	(3,659)	(7,317)
Investing activities		
Decrease in investment in a business held for resale		8,476
Increase in long-term investments	(139)	(139)
Acquisition of fixed assets	(8,091)	(11,813)
Disposal of fixed assets	30	
Decrease in other assets	803	227
Increase in deferred costs		(80)
	(7,397)	(3,329)
Net cash inflow	13,011	4,541
Cash position, beginning of year	22,281	17,740
Cash position, end of year	35,292	22,281
Represented by		
Cash	166	606
Short-term investments	35,126	21,675
	35,292	22,281

See accompanying notes.

MONTRÉAL PORT CORPORATION—*Continued*

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1994

1. STATUS AND NATURE OF ACTIVITIES

The Montréal Port Corporation (the Corporation) was incorporated by letters patent in accordance with subsection 6.2(1) of the *Canada Ports Corporation Act* on July 1, 1983.

Under section 6.5 of the same Act, on the establishment of a local port corporation, all rights, obligations and liabilities of the Canada Ports Corporation in relation to that harbour shall become rights, obligations and liabilities of the local port corporation and the administration of all such property and works within the limits of that harbour administered by the Board shall be deemed to have been transferred to the local port corporation, in this case the Corporation.

2. ACCOUNTING POLICIES

The financial statements have been prepared in accordance with generally accepted accounting principles and include the following significant accounting policies:

Investments

Investments are shown at amortized cost, with premiums or discounts amortized over their periods to maturity.

Materials and supplies

Materials and supplies are valued at the lower of cost and replacement cost. Cost is determined substantially on an average cost basis.

Fixed assets

Fixed assets are recorded at original cost with related accumulated depreciation transferred from Canada Ports Corporation; subsequent acquisitions are recorded at cost.

Depreciation is calculated according to the straight-line method for the full year, commencing in the year the asset becomes operational, using rates based on the estimated useful lives of the assets.

Deferred costs

The deferred costs are composed of costs incurred to deepen the St. Lawrence River from Montréal to Saint-Augustin. These costs are amortized over 20 years.

Pension costs

All permanent employees of the Corporation are covered by the Public Service Superannuation Plan administered by the Government of Canada. Contributions to the plan are required from both the employees and the Corporation. These contributions represent the total liability of the Corporation and are recognized in the accounts on a current basis.

Grants in lieu of municipal taxes

Grants in lieu of municipal taxes are based on estimated municipal assessments adjusted in accordance with the *Municipal Grants Act*. Grants are paid after the amounts have been audited by the Municipal Grants Division of Public Works Canada. Any adjustments upon finalization are reflected in the accounts in the year of settlement.

Employee benefits

The Corporation accrues in its accounts the estimated liabilities for severance pay, annual leave, sick leave and overtime compensatory leave, which are payable to its employees in subsequent years under collective agreements or in accordance with Corporation policy.

3. INVESTMENTS

Funds are invested in direct and guaranteed securities of the Government of Canada. As at December 31, 1994, the market value of the short-term investments is equivalent to their amortized cost, and the market value of long-term investments is $30,592,517 ($35,556,448 in 1993).

MONTRÉAL PORT CORPORATION—*Concluded*

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1994—*Concluded*

4. FIXED ASSETS

				1994	1993
	Depreciation rates	Cost	Accumulated depreciation	Net book value	Net book value
	%	(in thousands of dollars)			
Land		50,312		50,312	49,121
Dredging	2.5-10.0	16,178	14,074	2,104	2,388
Berthing structures	2.5-10.0	61,916	45,483	16,433	16,244
Buildings	2.5-10.0	70,137	39,384	30,753	32,673
Utilities	3.3-10.0	19,814	11,355	8,459	9,195
Roads and surface	2.5-10.0	70,685	31,716	38,969	39,065
Machinery and equipment	5.0-33.3	62,358	52,872	9,486	12,030
Office furniture and equipment	20.0-33.3	7,156	5,358	1,798	1,537
		358,556	200,242	158,314	162,253
Projects under construction		405		405	118
		358,961	200,242	158,719	162,371

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	1994	1993
	(in thousands of dollars)	
Current portion of loans from the Government of Canada	586	551
Deferred revenue	334	334
Other	8,031	6,096
	8,951	6,981

6. LOANS FROM THE GOVERNMENT OF CANADA

	1994	1993
	(in thousands of dollars)	
Loans, 6.25 percent, payable to 2000 in annual instalments of $842,561 including interest	4,111	4,662
Current portion	586	551
	3,525	4,111

Principal repayment requirements over the next five years are as follows:

	(in thousands of dollars)
1995	585,636
1996	622,238
1997	661,128
1998	702,449
1999	746,352

7. CHANGES IN NON-CASH OPERATING WORKING CAPITAL ITEMS

	1994	1993
	(in thousands of dollars)	
Accounts receivable	(158)	(963)
Materials and supplies	43	90
Accounts payable and accrued liabilities net of current portion of loans from Government of Canada	1,935	(733)
Grants in lieu of municipal taxes	2,094	(167)
	3,914	(1,773)

8. CONTINGENCIES

Claims aggregating approximately $3,800,000 in respect of lawsuits, guarantees and damages allegedly suffered on the Corporation property and sundry legal matters in dispute have been made against the Corporation but are not reflected in the accounts. In the opinion of the Corporation, its position is defensible and the final outcome of such claims should not result in any material loss.

9. COMMITMENTS

(a) Contractual obligations for the completion, construction and purchase of property, plant and equipment are estimated at $365,000.

(b) In accordance with a policy concerning payment of dividends to the Canadian government, the Corporation would be required to pay a dividend, in respect of the 1994 fiscal year, based on a method of calculation using net earnings. This dividend, payable before March 31, 1995 would amount to approximately $2,253,200 for 1994 and would be applied against retained earnings.

10. RELATED PARTY TRANSACTIONS

In the ordinary course of business, the Corporation enters into transactions with related parties, including Canada and its agencies and other Crown corporations.

The Corporation derives revenue from related parties principally from grain warehousing, switching charges and rental revenue and management fees. The expenses paid to related parties are principally administration fees.

NATIONAL ARTS CENTRE CORPORATION

MANAGEMENT RESPONSIBILITIES

The Board of Trustees, which is responsible for, among other things, the financial statements of the Corporation, delegates to Management the responsibility for the preparation of the financial statements and the annual report. Responsibility for their review is that of the Audit Committee of the Board of Trustees. The financial statements were prepared by Management in accordance with generally accepted accounting principles and include estimates based on Management's experience and judgement. The financial statements have been approved by the Board of Trustees of the Corporation on the recommendation of the Audit Committee. Other financial and operating information appearing in this annual report is consistent with that contained in the financial statements.

Management maintains books and records, financial and management control and information systems designed in such a manner as to provide reasonable assurance that reliable and accurate information is produced on a timely basis and that transactions are in accordance with the *National Arts Centre Act* and By-Laws of the Corporation.

The Board of Trustees of the Corporation is responsible for ensuring that Management fulfils its responsibilities for financial reporting and internal control, and exercises this responsibility through the Audit Committee. The Audit Committee discharges the responsibilities conferred upon it by the Board of Trustees, and meets on a regular basis with Management, and with the Auditor General of Canada, who has unrestricted access to the Committee.

The Auditor General of Canada conducts an independent audit of the financial statements of the Corporation in accordance with generally accepted auditing standards.

J.M. (Jack) Mills
Acting Director General

AUDITOR'S REPORT

TO THE ACTING CHAIR OF THE BOARD OF TRUSTEES
NATIONAL ARTS CENTRE CORPORATION

I have audited the balance sheet of the National Arts Centre Corporation as at August 31, 1994 and the statements of operations, equity of Canada and changes in financial position for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at August 31, 1994 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Raymond Dubois, FCA
Deputy Auditor General
For the Auditor General of Canada

Ottawa, Canada
October 28, 1994

NATIONAL ARTS CENTRE CORPORATION—*Continued*

BALANCE SHEET AS AT AUGUST 31, 1994

ASSETS	1994	1993
	$	$
Current		
Cash and short-term investments	5,836,352	2,122,994
Accounts receivable	1,402,133	1,942,485
Parliamentary appropriation receivable (Note 4)		333,165
Inventories	505,398	637,219
Programmes in progress	857,887	881,391
Prepaid expenses	137,531	159,555
	8,739,301	6,076,809
Capital assets (Note 3)	11,227,565	11,526,389
	19,966,866	17,603,198

LIABILITIES	1994	1993
	$	$
Current		
Accounts payable and accrued liabilities	3,476,090	3,245,187
Deferred revenue	3,406,765	3,477,439
Deferred parliamentary appropriation (Note 4)	1,893,335	
	8,776,190	6,722,626
Long-term portion of provision for employee termination benefits	1,048,292	1,095,445
	9,824,482	7,818,071
EQUITY OF CANADA		
Equity (Note 5)	9,869,396	9,148,827
Reserve for 25th anniversary (Note 6)	90,000	500,000
National Arts Centre Foundation (Note 7)	182,988	136,300
	10,142,384	9,785,127
	19,966,866	17,603,198

Approved by Management:

JACK MILLS
Acting Director General

RICHARD LUSSIER
Managing Director—Operations

Approved by the Board of Trustees:

MADELEINE PANACCIO
Acting Chair

GEORGE R. MacLAREN
Member of Board

NATIONAL ARTS CENTRE CORPORATION—*Continued*

STATEMENT OF OPERATIONS
FOR THE YEAR ENDED AUGUST 31, 1994

	1994	1993
	$	$
Revenue		
Performing arts programmes (Schedule 1)	6,955,429	6,756,091
Commercial services (Schedule 2)	7,684,734	7,627,548
Programme support services	264,758	244,088
Interest revenue	118,428	126,176
25th Anniversary—Revenue (Note 6)	102,880	
National Arts Centre Foundation—Net revenue (Note 7)	46,688	
Other	31,161	38,944
	15,204,078	14,792,847
Expenses (Schedule 3)		
Performing arts programmes (Schedule 1)	15,500,683	14,897,554
Commercial services (Schedule 2)	6,052,583	6,074,715
Operation of the buildings	7,252,465	7,989,143
Programme support services	3,813,869	3,883,977
Administrative services	3,650,667	3,348,531
Board of Trustees	73,660	74,121
25th Anniversary—Expenses (Note 6)	518,394	
National Arts Centre Foundation—Net expenses (Note 7)		11,993
	36,862,321	36,280,034
Excess of expenses over revenue	21,658,243	21,487,187

STATEMENT OF EQUITY OF CANADA
FOR THE YEAR ENDED AUGUST 31, 1994

	1994	1993
	$	$
Equity (Note 5)		
Balance at beginning of the year	9,148,827	8,024,023
Parliamentary appropriation (Note 4)	22,015,500	22,099,998
Excess of expenses over revenue	(21,658,243)	(21,487,187)
Transfer from reserve for 25th anniversary	410,000	500,000
Transfer of net (revenue) expenses of the National Arts Centre Foundation	(46,688)	11,993
Balance at end of year	9,869,396	9,148,827
Reserve for 25th anniversary (Note 6)		
Balance at end of year	90,000	500,000
National Arts Centre Foundation (Note 7)		
Balance at beginning of year	136,300	148,293
Net revenue (expenses)	46,688	(11,993)
Balance at end of year	182,988	136,300

STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED AUGUST 31, 1994

	1994	1993
	$	$
Operating		
Excess of expenses over revenue	(21,658,243)	(21,487,187)
Items not affecting funds		
Amortization	2,555,931	2,520,375
Provision for employee termination benefits	(47,153)	107,687
Loss on disposal of capital assets	3,663	
	(19,145,802)	(18,859,125)
Changes in non-cash operating assets and liabilities	877,930	(1,065)
	(18,267,872)	(18,860,190)
Financing		
Parliamentary appropriation received	24,242,000	21,541,000
Investing		
Additions to capital assets	(2,260,770)	(2,645,806)
Increase in cash and short-term investments	3,713,358	35,004
Cash and short-term investments at beginning of year	2,122,994	2,087,990
Cash and short-term investments at end of year	5,836,352	2,122,994

NATIONAL ARTS CENTRE CORPORATION—*Continued*

NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 1994

1. Objectives and operations

The objectives of the National Arts Centre Corporation (the "Corporation") are to operate and maintain the National Arts Centre, to develop the performing arts in the National Capital Region, and to assist the Canada Council in the development of the performing arts elsewhere in Canada.

In furtherance of its objectives, the Corporation may arrange for and sponsor performing arts activities at the Centre; encourage and assist in the development of performing arts companies resident at the Centre; arrange for or sponsor radio and television broadcasts and the showing of films in the Centre; provide accommodation at the Centre, on such terms and conditions as the Corporation may fix, for national and local organizations whose objects include the development and encouragement of the performing arts in Canada; and, at the request of the Government of Canada or the Canada Council, arrange for performances elsewhere in Canada by performing arts companies, whether resident or non-resident in Canada, and arrange for performances outside Canada by performing arts companies resident in Canada.

With a view to achieving the objectives, the Government of Canada has leased without charge the National Arts Centre building complex to the Corporation for a period expiring May 31, 1995. The Corporation is responsible for the operation and maintenance of the building.

2. Significant accounting policies

(a) Short-term investments

Short-term investments are valued at the lower of cost and market value.

(b) Inventories

Inventories are valued at the lower of cost and net realizable value for supplies or replacement cost for production materials, food and beverages.

(c) Programmes in progress

Direct costs, including advances to performing companies and artists, incurred prior to the end of the year for programmes in progress are deferred and charged to expenses in the year in which the programmes terminate. Indirect costs and common services not attributable to particular performances are charged to expenses in the year in which they are incurred.

(d) Capital assets

Capital assets other than the National Arts Centre complex are recorded at cost. Amortization is calculated on the straight-line method as follows:

Building—l'Atelier	20 years
Equipment	5 and 7 years
Leasehold improvements	10 years

No amortization is taken on the National Arts Centre building complex.

(e) Deferred revenue

Revenue from tickets sold prior to the end of the year for programmes in progress and revenue for hall rentals are deferred and credited to revenue in the year in which the programmes terminate. Revenue from gift certificates and exchange vouchers is deferred until the certificates and vouchers are redeemed. Gift certificates and exchange vouchers not redeemed within three years of the year of their issuance and a percentage of those less than three years old are credited to revenue.

(f) Operating expenses

Expenses relating to performing arts programmes and commercial services do not include costs relating to building and equipment maintenance, utilities and administrative services.

(g) Pension plan

Employees of the Corporation participate in the Public Service Superannuation Plan, administered by the Government of Canada. Contributions to the Plan are required by both the employees and the Corporation on an equal basis. The Corporation's contributions represent the Corporation's total obligation and are recorded as they become due.

The Corporation is not required under present legislation to make contributions with respect to employees for actuarial deficiencies of the Public Service Superannuation Account.

(h) Employee termination benefits

Employees of the Corporation are entitled to specified benefits on termination as provided for under their respective contracts and conditions of employment. The liability for these benefits is recorded as the benefits accrue to the employees.

(i) Parliamentary appropriation

The Corporation credits to equity each month one-twelfth of the approved appropriation. The parliamentary appropriation approved for the period from April 1 to August 31, is in respect of the Government of Canada's fiscal year ending on March 31 of the following year. Accordingly, the portion of the amount received to August 31, which is in excess of 5/12ths of the appropriation, is deferred to the following year. Similarly, the portion of the amount received to August 31, which is less than 5/12ths of the appropriation, is recorded as a receivable.

3. Capital assets

	1994			1993
	Cost	Accumulated amortization	Net book value	Net book value
	$	$	$	$
Land	90,000		90,000	90,000
Building—l'Atelier	298,069	193,106	104,963	119,866
Equipment	6,028,593	4,430,612	1,597,981	1,637,602
Leasehold improvements	24,447,384	15,012,763	9,434,621	9,678,921
	30,864,046	19,636,481	11,227,565	11,526,389

NATIONAL ARTS CENTRE CORPORATION—*Continued*

NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 1994—*Concluded*

4. Parliamentary appropriation (deferred) receivable

	1994	1993
	$	$
Balance at beginning of year	333,165	(225,833)
Credited to equity—		
Operations	19,957,000	20,099,583
Major repairs and improvements	2,058,500	2,000,415
	22,015,500	22,099,998
Received during the year	(24,242,000)	(21,541,000)
Balance at end of year	(1,893,335)	333,165

A portion of the Parliamentary appropriation is for the financing of major repairs and improvements to the National Arts Centre buildings. The relevant amounts are based on the Corporation's five-year plan for major capital projects submitted to Treasury Board. The balance used in advance, detailed hereunder, represents urgent repairs and improvements to the building. These expenditures will be funded from future Parliamentary appropriations. The Corporation's five-year plan for major capital projects provides for a balanced financial position by the end of the 1994-95 fiscal year.

	1994	1993
	$	$
Balance at beginning of year	(987,825)	(403,670)
Credited to equity	2,058,500	2,000,415
Interest revenue	36,183	25,323
Major repairs and improvements—		
Leasehold improvements	(1,253,593)	(2,010,276)
Repairs	(134,333)	(599,617)
Balance at end of year	(281,068)	(987,825)

5. Equity

The equity comprises the following:

	1994	1993
	$	$
Equity funded by the portion of the Parliamentary appropriation allocated for major repairs and improvements to the National Arts Centre buildings	8,021,823	7,736,403
Remaining balance	1,847,573	1,412,424
Equity	9,869,396	9,148,827

6. Reserve for 25th anniversary

The Board of Trustees approved the designation of a reserve of one million dollars out of the equity at August 31, 1992, which was reduced to $500,000 as of August 31, 1993, for the purpose of celebrating the National Arts Centre's 25th anniversary in 1993-94. On May 6, 1994, the Board of Trustees approved the carry forward of $90,000 from the $500,000 reserve to the 1994-95 fiscal year. The net expenses in 1993-94 were $415,514.

7. National Arts Centre Foundation

The National Arts Centre Foundation was established in 1992 for the purpose of recognizing, stimulating and promoting excellence in the creation and performance of the arts of the stage by the award of bursaries, prizes and grants. During the year, the cost of administration was charged to the Foundation. As a result of this change, administrative expenses increased significantly in 1993-94 as compared to 1992-93.

A summary of the transactions related to the Foundation is provided below:

	1994	1993
	$	$
Balance at the beginning of year	136,300	148,293
Donations	193,649	13,789
Interest revenue	9,977	7,240
Fundraising expenses	(100,224)	
Bursaries, prizes and grants	(31,000)	(31,100)
Administrative expenses	(25,714)	(1,922)
Net revenue (expenses)	46,688	(11,993)
Balance at end of year	182,988	136,300

8. Related party transactions

In addition to transactions outlined in Note 4, the Corporation is related in terms of common ownership to all Government of Canada-created departments, agencies and Crown corporations.

During the year, transactions with these related entities were in the normal course of business on normal trade terms applicable to all individuals and enterprises.

9. Contingencies

The Corporation is the claimant or defendant in certain pending claims and lawsuits. In Management's opinion, the outcome of these actions is not likely to result in any material liabilities.

10. Significant event

On September 15, 1993, the Corporation filed an application with the Canadian Radio-television and Telecommunications Commission for a license to operate a network specializing in the performing arts. The application was withdrawn on February 11, 1994. There are no plans, at this time, to file a new application.

NATIONAL ARTS CENTRE CORPORATION—*Concluded*

SCHEDULE OF REVENUE AND EXPENSES—
PERFORMING ARTS PROGRAMMES
FOR THE YEAR ENDED AUGUST 31, 1994 SCHEDULE 1

	1994	1993
	$	$
Revenue		
Music	2,453,427	2,051,401
Theatre	1,761,168	1,538,935
Dance	1,223,502	1,434,915
Rental of Halls	1,322,738	1,412,354
Variety	167,640	160,579
Special Events	24,136	24,892
Television	2,818	133,015
	6,955,429	6,756,091
Expenses		
Music	6,547,597	6,137,244
Theatre	4,500,541	4,099,252
Dance	2,611,161	2,537,926
Rental of Halls	696,935	741,716
Variety	145,266	224,067
Special Events	215,132	120,567
Television	784,051	1,036,782
	15,500,683	14,897,554
Excess of expenses over revenue	8,545,254	8,141,463

SCHEDULE OF REVENUE AND EXPENSES—
COMMERCIAL SERVICES
FOR THE YEAR ENDED AUGUST 31, 1994 SCHEDULE 2

	1994	1993
	$	$
Revenue		
Restaurants	5,773,998	5,866,325
Garage	1,910,736	1,761,223
	7,684,734	7,627,548
Expenses		
Restaurants	5,579,168	5,565,277
Garage	473,415	509,438
	6,052,583	6,074,715
Excess of revenue over expenses	1,632,151	1,552,833

SCHEDULE OF EXPENSES BY CATEGORY
FOR THE YEAR ENDED AUGUST 31, 1994 SCHEDULE 3

	1994	1993
	$	$
Salaries, wages and employee benefits	14,486,892	14,302,741
Performers' fees and expenses	8,007,069	7,615,885
Amortization	2,555,931	2,520,375
Advertising and promotion	2,464,045	2,235,754
Cost of sales—Commercial services	1,996,405	1,986,719
Utilities	1,523,169	1,519,194
Repairs and maintenance	1,455,976	1,933,181
Artistic co-production expenses	1,417,524	1,084,826
Professional fees and expenses	684,931	677,425
Production expenses	588,586	641,687
Office expenses	522,463	519,780
Commissions and service charges	254,229	316,755
Travel and duty entertainment	246,242	277,373
Supplies and expenses—Commercial services	188,129	214,134
Furniture and equipment	179,205	124,929
Telecommunications	129,069	118,349
Insurance	68,610	66,238
Warehouse rent	39,536	45,612
Other	54,310	79,077
	36,862,321	36,280,034

NATIONAL CAPITAL COMMISSION

MANAGEMENT RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements of the National Capital Commission are the responsibility of management and have been approved by the members of the Commission. These financial statements have been prepared by management in accordance with generally accepted accounting principles and, where appropriate, they include amounts that have been estimated according to management's best judgement.

Management has developed and maintains books of account, records, financial and management controls and information systems. These are designed to provide reasonable assurance that the Commission's assets are safeguarded and controlled, that resources are managed economically and efficiently in the attainment of corporate objectives, and that transactions are in accordance with Part X of the *Financial Administration Act* and regulations, the *National Capital Act* and the by-laws of the Commission. Internal audits are conducted to assess the performance of information systems and management controls and practices.

The Commission's external auditor, the Auditor General of Canada, has audited the financial statements and has reported on his audit to the Commission and to the Minister of Canadian Heritage.

The members of the Commission carry out their responsibilities for the financial statements principally through the Corporate Audit and Evaluation Committee, which consists of members of the Commission only. The Corporate Audit and Evaluation Committee meets periodically with management, as well as with the internal and external auditors to discuss the results of the audit examinations with respect to the adequacy of internal accounting controls and to review and discuss financial reporting matters. The external and internal auditors have full access to the Corporate Audit and Evaluation Committee, with and without the presence of management.

Marcel Beaudry
Chairman

Robin Young
Vice-President, Strategic Planning and
Information Management

June 16, 1995

AUDITOR'S REPORT

TO THE MINISTER DESIGNATE OF CANADIAN HERITAGE

I have audited the balance sheet of the National Capital Commission as at March 31, 1995, and the statements of operations, equity and changes in cash resources for the year then ended. These financial statements are the responsibility of the Commission's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Commission as at March 31, 1995, and the results of its operations and the changes in cash resources for the year then ended in accordance with generally accepted accounting principles. As required by the *Financial Administration Act*, I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Commission that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *National Capital Act* and the by-laws of the Commission.

L. Denis Desautels, FCA
Auditor General of Canada

Ottawa, Canada
June 5, 1995

NATIONAL CAPITAL COMMISSION—*Continued*

BALANCE SHEET AS AT MARCH 31, 1995
(in thousands of dollars)

ASSETS	1995	1994
Current		
Cash and short-term deposits (Note 3)	18,173	19,929
Accounts receivable		
Federal Government departments and agencies	1,688	1,931
Tenants and others	2,282	3,275
Operating supplies, small tools and nursery stock	571	566
Prepaid expenses	2,412	1,690
	25,126	27,391
Cash restricted as to use (Note 4)	3,862	4,068
Land, buildings and equipment (Note 5)	348,722	338,392
	377,710	369,851

LIABILITIES	1995	1994
Current		
Accounts payable and accrued liabilities	32,492	27,695
Holdbacks and deposits from contractors and others	1,576	1,020
	34,068	28,715
Long-term		
Accrued employee termination benefits	4,083	6,378
Unsettled expropriations of property	711	694
Deferred insurance proceeds (Note 4)	3,862	4,068
Deferred cost of operations recovery	4,504	
Restructuring cost	2,562	
	15,722	11,140
EQUITY OF CANADA	327,920	329,996
	377,710	369,851

Major commitments and contingencies (Notes 7 and 8)

Approved by the Commission

MARCEL BEAUDRY
Chairman

ANDRÉ J.C. DUPONT
Chairman, Corporate Audit and Evaluation Committee

NATIONAL CAPITAL COMMISSION—*Continued*

STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 1995
(in thousands of dollars)

	1995	1994
Income		
Rental operations and easements	13,544	12,046
Interest	1,474	868
Net gain on disposal of land, buildings and equipment	3,984	3,881
Sponsorship (excluding goods and services in kind)	835	593
User access fees	802	966
Other fees and recoveries	3,402	3,249
Parliamentary appropriations	86,674	76,818
	110,715	98,421
Cost of Operations (Note 6)		
Planning the National Capital Region	2,598	3,287
Promoting and Animating the Capital Region	13,634	15,277
Real Asset Management and Development	72,785	66,545
Corporate Services	25,343	26,150
Restructuring cost	13,828	
	128,188	111,259
Net Cost of Operations[(1)]	(17,473)	(12,838)

[(1)] ANALYSIS OF FUNDING THE COST OF OPERATIONS

	1995	1994
Net cost of operations	(17,473)	(12,838)
Expenses not requiring funding		
—Amortization	13,810	13,646
—Cost of operations recovery	439	
Net gain on disposal of land, buildings and equipment	(3,984)	(3,881)
Transfer from disposal of land (Note 3)	2,079	1,591
—Disposal expenses	293	416
—Interest revenue	(203)	(210)
Prior year commitments carry-over	(3,044)	(1,768)
Excess of cost of operations over funding	(8,083)	(3,044)

STATEMENT OF EQUITY
FOR THE YEAR ENDED MARCH 31, 1995
(in thousands of dollars)

	1995	1994
Balance at Beginning of Year	329,996	330,151
Net cost of operations	(17,473)	(12,838)
Parliamentary appropriations to acquire and improve land, buildings and equipment	15,397	12,683
Balance at End of Year	327,920	329,996

STATEMENT OF CHANGES IN CASH RESOURCES
FOR THE YEAR ENDED MARCH 31, 1995
(in thousands of dollars)

	1995	1994
Operating Activities		
Net cost of operations	(17,473)	(12,838)
Items not involving cash		
Amortization	13,810	13,646
Net gain on disposal of land, buildings and equipment	(3,984)	(3,881)
Net change in non-cash working capital balances related to operations	5,862	5,923
Net change in cash restricted as to use and long-term liabilities	4,788	261
	3,003	3,111
Investing Activities		
Acquisitions and improvements to land, buildings and equipment	(24,725)	(16,496)
Financing Activities		
Parliamentary appropriations to acquire and improve land, buildings and equipment	15,397	12,683
Proceeds on disposal of land, buildings and equipment	4,569	4,558
	19,966	17,241
Increase (decrease) in cash and short-term deposits	(1,756)	3,856
Beginning of year	19,929	16,073
End of year	18,173	19,929

NATIONAL CAPITAL COMMISSION—*Continued*

NOTES TO FINANCIAL STATEMENTS
AS AT MARCH 31, 1995

1. AUTHORITY AND OBJECTIVES

The National Capital Commission was established in 1958 by the *National Capital Act*. The Commission is an agent Crown corporation without share capital named in Part I of Schedule III to the *Financial Administration Act*. The objects and purposes of the Commission as stated in the *National Capital Act* as amended in 1988, are to:

(a) prepare plans for and assist in the development, conservation and improvement of the National Capital Region in order that the nature and character of the seat of the Government of Canada may be in accordance with its national significance; and

(b) organize, sponsor or promote such public activities and events in the National Capital Region as will enrich the cultural and social fabric of Canada, taking into account the federal character of Canada, the equality of status of the official languages of Canada and the heritage of the people of Canada.

The powers of the Commission as they were extended in 1988 also enable the Commission to "coordinate the policies and programs of the Government of Canada respecting the organization, sponsorship or promotion by departments of public activities and events related to the National Capital Region."

The Commission is also responsible for the management and maintenance of the Official Residences located in the National Capital Region.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Land, Buildings and Equipment

Land, buildings and equipment are generally recorded at historical cost. Property acquired at nominal cost or by donation is recorded at market value at time of acquisition, except for properties of historical significance whose market value cannot be reasonably determined. These are recorded at nominal value. Artifacts donated to the Canadiana Fund are recorded at nominal value. Property acquired by exchange is recorded at the carrying value of the assets disposed of in the transaction. Improvements that extend the useful life of buildings and equipment are recorded at cost.

(b) Amortization

Amortization of assets in use is charged to operations in equal annual amounts based on the cost of the assets, their estimated useful life and their final salvage value. Useful life of assets is estimated as follows:

Buildings	20 years
Parkways, roadways and bridges	25 years
Park landscaping and improvement	25 years
Machinery and equipment	10 years
Office furniture	10 years
Office equipment	5 years
Vehicles	5 years
Antiques and works of art	10 years
Computer and communications equipment	5 years

(c) Operating Supplies, Small Tools and Nursery Stock

Operating supplies and small tools are carried at cost. Nursery stock is valued at estimated cost.

(d) Pension Plan

Commission employees are covered by the Public Service Superannuation Plan administered by the Government of Canada. The Commission's contributions to the plan are limited to an amount equal to the employees' contributions on account of current and certain past service. These contributions represent the total pension obligations of the Commission and are charged to operations on a current basis. The Commission is not required under present legislation to make contributions with respect to actuarial deficiencies of the Public Service Superannuation Account.

(e) Employee Termination Benefits

Severance pay generally accrues to employees over their service period, and is payable on their separation or retirement. The liability for these benefits is recorded in the accounts as the benefits accrue to the employees.

(f) Parliamentary Appropriations

Parliamentary appropriations for operating expenditures and grants and contributions to other levels of government and other authorities are included as income. Parliamentary appropriations to acquire and improve land, buildings and equipment are credited to equity of Canada.

(g) Workers' Compensation

The Commission assumes all risks for workers' compensation claims. The costs of claims resulting from injuries on duty are recorded in the years when compensation payments are due.

(h) Sponsorship

The Commission enhances programming through financial, promotional and in-kind contributions from sponsors. Except for cash, no value is included in the financial statements for goods and services contributed by sponsors.

NATIONAL CAPITAL COMMISSION—*Continued*

NOTES TO FINANCIAL STATEMENTS
AS AT MARCH 31, 1995—*Continued*

3. CASH AND SHORT-TERM DEPOSITS

Cash and short-term deposits at year-end amounted to $18.2 million. Included in this cash balance are:

(a) Cash donations received for the Canadiana Fund in the amount of $29.7 thousand;

(b) Funds, that are restricted, in the amount of $8,943 thousand, as follows:

(i) funds relating to a 1990 long-term lease transaction that, pursuant to Governor in Council authority, have been restricted for the acquisition of environmentally sensitive lands;

(ii) funds generated by the disposal of surplus properties that may be used to acquire real property or to support other major programs, as may be authorized by Treasury Board and Governor in Council;

(iii) details of transactions are highlighted in the following analysis:

	Environmentally sensitive lands	Others	Total
	(in thousands of dollars)		
Cash available at beginning of year	1,772	6,273	8,045
Proceeds on disposal		4,451	4,451
Acquisition/Disposal expenses		(482)	(482)
Interest	40	163	203
Acquisitions		(579)	(579)
Transfer to capital budget		(616)	(616)
Transfer to operating budget		(2,079)	(2,079)
Cash available at end of year	1,812	7,131	8,943

4. CASH RESTRICTED AS TO USE

The Commission has segregated funds received in respect of a claim for damages arising from injuries sustained in an accident by an NCC employee. These funds have been paid to the Commission as it will be responsible to pay the continuing cost relating to this claim settlement.

5. LAND, BUILDINGS AND EQUIPMENT

	1995			1994
	Historical cost	Accumulated amortization	Net book value	Net book value
	(in thousands of dollars)			
Land and Buildings				
Greenbelt	67,586	19,830	47,756	47,691
Gatineau Park	43,916	7,900	36,016	33,188
Parkways[3]	102,388	47,591	54,797	56,699
Parks	33,968	16,610	17,358	15,873
Bridges and approaches	31,779	19,227	12,552	12,473
Historical sites	33,505	17,997	15,508	16,115
Recreational facilities	23,924	12,894	11,030	11,021
Rental properties	129,767	14,676	115,091	110,311
Development properties	24,807	3,251	21,556	21,570
Unsettled expropriations	711		711	694
Administrative and service buildings	16,945	10,654	6,291	6,330
	509,296	170,630	338,666	331,965
Less: provision for transfers[1]	1,838		1,838	1,838
Less: provision for environmental clean-up[2]				650
	507,458	170,630	336,828	329,477
Equipment				
Machinery and equipment	4,864	2,762	2,102	2,043
Office furniture and equipment	3,563	946	2,617	135
Vehicles	4,561	2,916	1,645	1,932
Computer and communications equipment	15,394	10,024	5,370	4,472
Antiques and works of art	1,702	1,542	160	333
	30,084	18,190	11,894	8,915
Total	537,542	188,820	348,722	338,392

[1] Provision for transfers pertains to property to be transferred in accordance with agreements with the Province of Quebec. This includes lands to be given free of charge for the approaches to the MacDonald-Cartier Bridge and the transfer for $1 of lands to be used as a right-of-way for Highway 550.

[2] Provision for environmental clean-up at Camp Fortune, a prior year property acquisition. This work was completed during the current year.

[3] During the year, the Commission incurred expenditures of $1.9 million for the rehabilitation of the Ottawa River Parkway. These expenditures have been netted against a contribution of $1.9 million received for this project.

NATIONAL CAPITAL COMMISSION—*Continued*

NOTES TO FINANCIAL STATEMENTS
AS AT MARCH 31, 1995—*Continued*

6. COST OF OPERATIONS

(a) Summary of Expenses by Major Classification

	1995	1994
	(in thousands of dollars)	
Salaries and employee benefits	45,094	51,889
Goods and services	27,264	29,032
Grants in lieu of municipal taxes	15,047	12,972
Contributions	13,145	3,720
Amortization	13,810	13,646
Restructuring costs	13,828	
	128,188	111,259

(b) Sector Definitions and Objectives

The Commission uses four sectors to structure its activities. Short, medium and long-term objectives linked to the mandate and mission have been developed for each. The following are the long-term objectives established for each sector:

Planning the National Capital Region

To plan for and control the use of federal lands in the National Capital Region (NCR), which includes coordinating and ensuring high quality design and development.

Promoting and Animating the National Capital Region

To increase awareness of the Capital outside the NCR through national marketing plans and activities which increase understanding about the Capital and its symbolic role, and to provide opportunities to bring Canadians together in the Capital and increase their understanding, via coordination of the visitor experience, celebrations and special events, and programs that present the past, present and future of the country.

Real Asset Management and Development

To safeguard and preserve the Capital and its assets for future generations via the development and efficient, effective management of assets in accordance with their importance to the Capital and the NCC mandate.

Corporate Services

To provide management with required services, advice and information, ensure Commission assets are safeguarded, and ensure measures are in place that promote the most efficient, productive use of resources.

(c) Restructuring Costs

As a result of the February 27th, 1995 Federal Budget, NCC appropriations will be reduced by $21.4 million over the next three years. This reduction will be achieved through a significant reduction of the Commission's workforce. Costs of employee separation benefits are estimated at $13.8 million over the next three years and have been expensed in the current year. The Commission has requested funding from the central reserve to support the cost of restructuring; the full extent of funding is pending final approval from Treasury Board.

7. MAJOR COMMITMENTS

(a) The Commission is committed to contribute to the Province of Quebec, one-half of the cost of a road network within the Quebec portion of the National Capital Region. The Commission's remaining commitment to be paid over future years is estimated at $74.4 million but is payable only when funding is approved by the Treasury Board of Canada. As of March 31, 1995, expenditures and payments have totalled $179.4 million.

(b) The Commission has entered into agreements for computing services, leases of equipment and operating leases for office accommodations. The agreements, showing different termination dates with the latest ending in 2019, total $125.7 million. Minimum annual payments under these agreements for the next five years are approximately as follows:

	(in thousands of dollars)
1995-96	4,348
1996-97	4,348
1997-98	4,211
1998-99	3,969
1999-2000	4,066

(c) The Province of Quebec has expropriated certain lands in the Ville de Hull on behalf of the Commission. An amount of $1.25 million will be payable in exchange for appropriate title documents.

(d) The Commission has entered into contracts for capital expenditures estimated to cost approximately $2.0 million. Payments under these contracts are expected to be made in 1995-96.

8. CONTINGENCIES

(a) Claims

Claims have been made against the Commission totalling approximately $14.4 million for alleged damages and other matters. The final outcome of these claims is not determinable and accordingly these items are not recorded in the accounts. In the opinion of management, the position of the Commission is defensible. Settlements, if any, resulting from the resolution of these claims will be accounted for in the year in which the liability is determined.

(b) Agreement with the Province of Ontario

In 1961, the Commission entered into an agreement whereby the Province of Ontario established and maintains 2,761 hectares (6,820 acres) of forest. When the agreement expires in 2011, or is terminated, the Commission will reimburse the Province for the excess of expenses over revenues, or the Province will pay the Commission the excess of revenues over expenses. As per the latest report from the Province, at March 31, 1994, cumulative expenses exceeded cumulative revenues by $1.2 million, and are not reflected in the accounts of the Commission.

NATIONAL CAPITAL COMMISSION—*Concluded*

NOTES TO FINANCIAL STATEMENTS
AS AT MARCH 31, 1995—*Concluded*

(c) Environmental Protection

The Commission has conducted a preliminary analysis that has identified certain properties that qualify for potential decontamination. The extent of the contamination, cost of clean-up and funding requirements cannot be reasonably assessed until further on-site testing is completed.

9. RELATED PARTY TRANSACTIONS

The Commission is related in terms of common ownership to all Government of Canada created departments, agencies and Crown corporations and is mainly financed by the Parliament of Canada. In addition to the related party transactions described below and those disclosed elsewhere in these financial statements, the Commission also enters into transactions with Crown entities in the normal course of business.

(a) Canada Museums Construction Corporation Inc.

The Commission permitted the Canada Museums Construction Corporation Inc. to construct the Canadian Museum of Civilization on Commission lands. The Commission is in the process of transferring the lands in question to Public Works and Government Services Canada in exchange for other properties of equal value.

(b) Public Works and Government Services Canada

Public Works and Government Services Canada acts as an agent for the Commission with respect to expropriation of properties. Fees charged are based on standard rates set by Public Works and Government Services Canada. The Commission has also entered into an agreement with Public Works and Government Services Canada whereby the latter will, with respect to the Official Residences, provide certain property services at rates established with the Commission and approved by Treasury Board.

NATIONAL GALLERY OF CANADA

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements of the National Gallery of Canada (the Gallery) and all information in this annual report are the responsibility of management. The financial statements include some amounts that are necessarily based on management's estimates and judgment.

The financial statements have been prepared in accordance with generally accepted accounting principles. Financial information presented elsewhere in the annual report is consistent with that contained in the financial statements.

In discharging its responsibility for the integrity and fairness of the financial statements, management maintains financial and management control systems and practices designed to provide reasonable assurance that transactions are authorized, assets are safeguarded, proper records are maintained and transactions are in accordance with Part X of the *Financial Administration Act* and regulations, the *Museums Act*, and the by-laws of the Gallery.

The Board of Trustees is responsible for ensuring that management fulfils its responsibilities for maintaining adequate control systems and the quality of financial reporting. The Audit and Evaluation Committee of the Board of Trustees meets regularly with management and internal and external auditors to discuss auditing, internal controls and other relevant financial matters. The Committee reviews the financial statements and presents its recommendation to the Board of Trustees. The Board of Trustees approves the financial statements.

The external auditor, the Auditor General of Canada, is responsible for auditing the financial statements and for issuing his report thereon to the Minister responsible.

Dr. Shirley L. Thomson
Director

Yves Dagenais
Deputy Director

AUDITOR'S REPORT

TO THE MINISTER DESIGNATE OF CANADIAN HERITAGE

I have audited the balance sheet of the National Gallery of Canada as at March 31, 1995 and the statements of operations, equity of Canada and changes in financial position for the year then ended. These financial statements are the responsibility of the Gallery's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Gallery as at March 31, 1995 and the results of its operations and changes in its financial position for the year then ended in accordance with generally accepted accounting principles. As required by the *Financial Administration Act*, I report that, in my opinion, these principles have been applied, after giving retroactive effect to the change in the method of valuing the inventories of publications as explained in Note 3 to the financial statements, on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Gallery that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Museums Act* and the by-laws of the Gallery.

Raymond Dubois, FCA
Deputy Auditor General
for the Auditor General of Canada

Ottawa, Canada
June 7, 1995

NATIONAL GALLERY OF CANADA—*Continued*

BALANCE SHEET AS AT MARCH 31, 1995
(in thousands of dollars)

ASSETS	1995	1994 (Restated Note 3)
Current		
Cash and short term investments	9,072	6,395
Accounts receivable	987	637
Inventories	726	955
Prepaid expenses	28	70
	10,813	8,057
Collections	1	1
Long-term receivable—Trust account	372	362
Capital assets (Note 4)	7,783	8,382
	18,969	16,802

LIABILITIES	1995	1994 (Restated Note 3)
Current		
Accounts payable and accrued liabilities (Note 5)	5,885	5,024
Special purpose account (Note 6)	1,358	219
	7,243	5,243
Accrued employee termination benefits	1,125	1,187
Trust accounts (Note 7)	2,697	2,499
EQUITY		
Equity of Canada (Note 8)	7,904	7,873
	18,969	16,802

Approved by the Board of Trustees:

JEAN-CLAUDE DELORME
Chairperson

RUTH FREEMAN
Vice-Chairperson

NATIONAL GALLERY OF CANADA—*Continued*

STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 1995
(in thousands of dollars)

	1995	1994 (Restated Note 3)
Expenses		
Collect	7,184	7,972
Educate and Communicate	13,493	12,870
Accommodate	13,907	7,530
Administer	4,051	4,485
Total expenses (Schedule 1)	38,635	32,857
Total revenue (Schedule 2)	4,267	3,236
Net cost of operations	34,368	29,621

STATEMENT OF EQUITY OF CANADA
FOR THE YEAR ENDED MARCH 31, 1995
(in thousands of dollars)

	1995	1994 (Restated)
Balance at beginning of year, as previously reported	8,471	9,412
Prior years' adjustment (Note 3)	(598)	(625)
Restated balance	7,873	8,787
Parliamentary appropriations		
—Operating and capital expenditure	32,445	25,857
—Works of art for the collections (Note 6)	1,954	2,850
Net cost of operations	(34,368)	(29,621)
Balance at end of year	7,904	7,873

STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED MARCH 31, 1995
(in thousands of dollars)

	1995	1994 (Restated Note 3)
Operating activities:		
Net cost of operations	(34,368)	(29,621)
Items not affecting funds		
Amortization	1,733	1,733
Accrued employee termination benefits	(62)	11
Loss on disposal of capital assets	9	36
	(32,688)	(27,841)
Decrease (increase) in non-cash working capital components	1,921	(121)
Increase in trust accounts	198	197
Funds applied to operating activities	(30,569)	(27,765)
Investing activities:		
Increase in long-term receivable—Trust account	(10)	(15)
Purchase of capital assets	(1,143)	(709)
Proceeds from disposal of capital assets		4
Funds applied to investing activities	(1,153)	(720)
Financing activities:		
Parliamentary appropriations		
—Operating and capital expenditure	32,445	25,857
—Works of art for the collections	1,954	2,850
Funds provided by financing activities	34,399	28,707
Increase in funds during the year	2,677	222
Cash and short term investments at beginning of year	6,395	6,173
Cash short term investments at end of year	9,072	6,395

NATIONAL GALLERY OF CANADA—*Continued*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1995

1. Authority, Objective and Activities

The National Gallery of Canada (the Gallery) was established on July 1, 1990 by the *Museums Act* as a Crown corporation under Part I of Schedule III to the *Financial Administration Act*.

The Gallery's mandate as stated in the *Museums Act* is to develop, maintain and make known throughout Canada and internationally, a collection of works of art, both historic and contemporary, with special but not exclusive reference to Canada, and to further knowledge, understanding and enjoyment of art in general among all Canadians. The Gallery's operations comprise the National Gallery of Canada and its affiliate the Canadian Museum of Contemporary Photography (CMCP).

The National Gallery's operations are divided into four mutually supportive activities which work together to meet all aspects of its mandate. These activities are:

Collect

To acquire, preserve, research and record historic and contemporary works of art, both national and international, to represent Canada's visual arts heritage and to use in its programs.

Educate and Communicate

To further knowledge, understanding and enjoyment of the visual arts among all Canadians and to make the collections known both in Canada and abroad.

Accommodate

To provide a secure and suitable facility for the preservation and exhibition of the national collections of visual arts that is readily accessible to the public.

Administer

To provide direction, control and effective development and administration of resources.

2. Significant Accounting Policies

These financial statements have been prepared in accordance with generally accepted accounting principles. The significant accounting policies are:

(a) Inventories

Inventories are valued at the lower of cost or market value. The market value of books and publications is determined by the lower of the retail price and the net value. The net value is represented by the cost which is written down over a maximum of three years to take into account obsolescence.

All other stock items have a market value representing their retail price.

(b) Capital Assets

Capital assets are recorded at cost and amortized using the straight-line method over their estimated useful lives as follows:

Equipment and furniture	5 to 12 years
Leasehold improvements—CMCP	25 years
Building improvements—NGC	25 years
Vehicles	5 years

Expenses related to the design and development of exhibits are charged to operations in the year in which they occur.

The cost of the buildings occupied by the Gallery is not shown in the financial statements. The buildings are owned by the Government of Canada.

(c) Collections

The Gallery holds collections of works of art for the benefit of Canadians, present and future. The collections are shown as an asset at a nominal value of $1,000 on the balance sheet to ensure that the reader is aware of their existence. Works of art purchased for the collections of the Gallery are, in the year of acquisition, recorded as an expense or accounted for in the trust account depending on the source of funds. Works of art donated to the Gallery are not recorded in the books of account.

(d) Pension Plan

The employees of the Gallery participate in the Public Service Superannuation Plan administered by the Government of Canada. The employees and the Gallery contribute equally to the cost of the Plan. This contribution represents the total liability of the Gallery. Contributions in respect of current service are expended during the year in which services are rendered. Admissible past service contributions are expended when paid. The terms of payment are set by the applicable purchase conditions.

The Gallery is not required under present legislation to make contributions with respect to actuarial deficiencies of the Public Service Superannuation Account.

(e) Employee Termination Benefits

On termination of employment, employees of the Gallery are entitled to certain benefits provided for under their collective agreement and their conditions of employment. The cost of these benefits is expended in the year in which they are earned.

(f) Trust Accounts

The Gallery accounts for receipts such as donations, gifts or bequests for both restricted and unrestricted purposes as trust accounts. Expenditures relating to these funds are charged against the relevant portion of the trust accounts in the year they are made. Transactions in the trust accounts are not recorded in the statement of operations.

(g) Parliamentary Appropriations

The Parliamentary appropriations for operating and capital expenditures and the purchase of works of art are recorded in the year to which they apply, and are credited to the Equity of Canada.

(h) Bookstore and Publishing

Expenses for the bookstore and publishing, including costs relating to personnel, travel, transportation and advertising are included in operating expenses.

NATIONAL GALLERY OF CANADA—*Continued*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1995—*Continued*

3. Change in Accounting Policy

During the year, the Gallery applied retroactively a change in the method of valuing its inventories of publications. Previously obsolescence was taken into account by writting down the net inventory value over a five year period on a straight line basis. It was determined in 1995 that a write down over a maximum of three years would better reflect the commercial value of the publication inventory.

The impacts of this change in accounting policy on the financial statements are as follows:

(a) Impact on the Equity of Canada:

	1995	1994
	(in thousands of dollars)	
Opening inventory values	1,553	1,484
Restated inventory values	955	859
Prior years' adjustment, decrease in equity	598	625

(b) Impact on the statement of operations

The net cost of operations decreased by $133,000 in 1995 and by $27,000 in 1994

4. Capital Assets

	1995			1994
	Cost	Accumulated amortization	Net book value	Net book value
	(in thousands of dollars)			
Equipment and furniture	10,455	7,659	2,796	3,368
Leasehold improvements—CMCP	3,982	478	3,504	3,663
Building improvements—NGC	1,724	250	1,474	1,324
Vehicles	89	80	9	27
	16,250	8,467	7,783	8,382

5. Accounts Payable and Accrued Liabilities

	1995	1994
	(in thousands of dollars)	
Trade	2,515	2,532
Due to Government departments and Crown corporations	1,950	1,208
Accrued salaries and vacation pay	1,276	1,158
Others	144	126
	5,885	5,024

6. Special Purpose Account—Purchase of works of art for the collections

In 1994-95, Parliament approved a $3,000,000 payment (1993-94—$3,000,000) to the Gallery, for the purchase of works of art for the collections, which the Gallery maintains in a special purpose account. The balance at the end of a year is available for purchases in subsequent years. This provides the means to acquire, when opportunities arise, historically important, unique and high quality works that strengthen the collections.

	1995	1994
	(in thousands of dollars)	
Balance at beginning of year	219	11
Parliamentary appropriation	3,000	3,000
Interest	93	58
Total available	3,312	3,069
Purchase of objects for the collections of the Gallery (Note 10)	1,954	2,850
Balance at end of year	1,358	219

7. Trust Accounts

The Gallery maintains various trust accounts under two separate funds. These funds are normally for the development of exhibitions, purchases of works of art and for the development of a specific activity. The balance of the funds is principally made up of the "Director's Trust" which was set up pursuant to a Board of Trustees resolution. Under the terms of this resolution, the Director can use these funds to further the Gallery's mandate.

The following summarizes the transactions for the year:

	1995	1994
	(in thousands of dollars)	
Balance at beginning of year	2,499	2,302
Revenue for the year		
Interest	149	139
Gifts and bequests	86	167
Total revenue	235	306
Expenditure for the year		
Purchase of works of art for the collections (Note 10)		99
Other	37	10
Total expenditure	37	109
Increase in funds	198	197
Balance at end of year	2,697	2,499

8. Equity of Canada

The Equity of Canada represents the book value of assets and liabilities transferred from the former National Museums of Canada as of July 1, 1990 and the accumulated net results of the operations of the Gallery to date.

NATIONAL GALLERY OF CANADA—*Concluded*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1995—*Concluded*

9. Related Party Transactions

Services provided without charge primarily by Public Works and Government Services Canada for accommodation and not recorded in the financial statements have been evaluated at $3,447,000 (1993-94—$11,379,000). The decrease is due to the transfer of the administration of the Gallery building and surrounding property (Note 12).

In addition to those related party transactions disclosed elsewhere in these financial statements, the Gallery is related in terms of common ownership to all Government of Canada created departments, agencies and Crown corporations. The Gallery enters into transactions with these entities in the normal course of business.

10. Collections

Acquisitions of works of art for the collections were made through the following:

	1995	1994
	(in thousands of dollars)	
Purchase from special purpose account (Note 6)	1,954	2,850
Gift or bequest, at fair market value	1,306	1,595
Purchase from trust accounts (Note 7)		99
	3,260	4,544

11. Commitments

As at March 31, 1995, there remains $10,401,000 to be paid pursuant to various agreements. The major portion relates to a 49 year lease with the National Capital Commission for the CMCP facility. The future minimum payments are as follows:

	(in thousands of dollars)
1995-96	594
1996-97	345
1997-98	334
1998-99	212
1999-2000	212
2000-2041	8,704

12. Custody of Gallery building and surrounding property

Effective April 1, 1994, Public Works and Government Services Canada transferred to the Gallery the administration of the Gallery building and surrounding property located on Sussex Drive, Ottawa, Ontario and a leased warehouse facility. The transfer of responsabilities resulted in the addition of $7,504,000 to the Gallery's operating and capital budgets and in parliamentary appropriations.

13. Comparative figures

Certain reclassifications have been made to the 1994 comparative figures to conform with the current year's presentation.

SCHEDULE OF EXPENSES
FOR THE YEAR ENDED MARCH 31, 1995
(in thousands of dollars)

	1995	1994 (Restated Note 3)
Salaries and employee benefits	14,519	14,898
Repairs and upkeep of building and equipment	5,239	774
Utilities, materials and supplies	3,379	1,509
Professional and special services	3,186	2,668
Protective services	2,763	3,123
Purchase of works of art for the collections (Note 10)	1,954	2,850
Cost of goods sold—Bookstore and Publishing	1,756	1,469
Amortization	1,733	1,733
Travel	828	745
Advertising	798	587
Postage, freight, express and cartage	765	647
Publications	483	490
Library purchases	301	301
Communications	277	311
Grants in lieu of taxes—CMCP	269	293
Rent—CMCP	212	212
Rentals	117	135
Miscellaneous	56	112
	38,635	32,857

SCHEDULE OF REVENUE
FOR THE YEAR ENDED MARCH 31, 1995
(in thousands of dollars)

	1995	1994
Bookstore and publishing	2,111	1,768
Admissions	527	396
Parking	448	391
Interest	240	117
Sponsorships	203	
Travelling exhibitions	162	162
Rental of public spaces	146	93
Art loans—Recovery of expenses	132	100
Memberships	110	98
Food services	68	74
Other	120	37
	4,267	3,236

NATIONAL MUSEUM OF SCIENCE AND TECHNOLOGY

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The financial statements contained in this annual report have been prepared by Management in accordance with generally accepted accounting principles and the integrity and objectivity of the data in these financial statements are Management's responsibility. Management is also responsible for all other information in the annual report and for ensuring that this information is consistent, where appropriate, with the information and data contained in the financial statements.

In support of its responsibility, Management has developed and maintains books of account, records, financial and management controls, information systems and management practices. These are designed to provide reasonable assurance as to the reliability of financial information, that assets are safeguarded and controlled, and that transactions are in accordance with the *Financial Administration Act* and regulations as well as the *Museums Act* and by-laws of the corporation.

The Board of Trustees is responsible for ensuring that Management fulfils its responsibilities for financial reporting and internal control. The Board exercises its responsibilities through the Audit Committee which includes a majority of members who are not officers of the Corporation. The Committee meets with Management and the independent external auditor to review the manner in which these groups are performing their responsibilities and to discuss auditing, internal controls and other relevant financial matters. The Audit Committee has reviewed the financial statements with the external auditor and has submitted its report to the Board of Trustees. The Board of Trustees has reviewed and approved the financial statements.

The Corporation's external auditor, the Auditor General of Canada, audits the financial statements and reports to the Minister responsible for the Corporation.

Geneviève Ste-Marie
Director

Graham Parsons
Director General, Corporate Services

AUDITOR'S REPORT

TO THE MINISTER DESIGNATE OF CANADIAN HERITAGE

I have audited the balance sheet of the National Museum of Science and Technology as at March 31, 1995, and the statements of operations, equity of Canada, and changes in financial position for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements, based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 1995, and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles. As required by the *Financial Administration Act*, I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Corporation that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Museums Act* and the by-laws of the Corporation.

Raymond Dubois, FCA
Deputy Auditor General
for the Auditor General of Canada

Ottawa, Canada
June 19, 1995

NATIONAL MUSEUM OF SCIENCE AND TECHNOLOGY—*Continued*

BALANCE SHEET AS AT MARCH 31, 1995
(in thousands of dollars)

ASSETS	1995	1994
Current		
Cash and short term investments	1,764	2,068
Accounts receivable		
—Government departments	509	182
—Other	79	36
Inventories (Note 3)	425	250
Prepaid expenses	4	8
	2,781	2,544
Trust account (Note 4)	668	630
Collection	1	1
Property and equipment (Note 5)	6,285	6,110
	9,735	9,285

LIABILITIES AND EQUITY OF CANADA	1995	1994
Current		
Accounts payable and accrued liabilities		
—Government departments	806	291
—Other	2,122	1,094
Current portion of accrued employee termination benefits	103	152
Deferred revenue	5	116
	3,036	1,653
Accrued employee termination benefits	735	903
Trust account (Note 4)	668	630
	4,439	3,186
EQUITY OF CANADA	5,296	6,099
	9,735	9,285

Approved by Management:

GENEVIÈVE STE-MARIE
Director

GRAHAM PARSONS
Director General, Corporate Services

Approved by the Board of Trustees:

DAVID M. CULVER
Chairman

LEON F. LOUCKS
Chairman, Audit Committee

NATIONAL MUSEUM OF SCIENCE AND TECHNOLOGY—*Continued*

STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 1995
(in thousands of dollars)

	1995	1994
Revenue		
National Museum of Science and Technology		
Admissions and memberships	806	714
Commercial operations (Schedule 2)	863	679
Sponsorship	228	16
Other museum services	152	179
	2,049	1,588
National Aviation Museum		
Admissions and memberships	269	263
Commercial operations (Schedule 2)	331	215
Sponsorship	20	15
Other museum services	103	50
	723	543
Interest	196	72
Total revenue	2,968	2,203
Expenses (Schedule 1)		
Science and Technology		
Display facility operation	7,528	6,083
Collection management	5,883	3,465
	13,411	9,548
National Aviation Museum		
Display facility operation	3,069	2,006
Collection management	2,120	1,433
	5,189	3,439
Support activities	4,976	3,739
Amortization	1,063	995
Total expenses	24,639	17,721
Excess of expenses over revenue	21,671	15,518

STATEMENT OF EQUITY OF CANADA
FOR THE YEAR ENDED MARCH 31, 1995
(in thousands of dollars)

	1995	1994
Balance at the beginning of the year	6,099	5,425
Parliamentary appropriation	20,868	16,192
Excess of expenses over revenue	(21,671)	(15,518)
Balance at the end of the year	5,296	6,099

STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED MARCH 31, 1995
(in thousands of dollars)

	1995	1994
Operating activities		
Excess of expenses over revenue	(21,671)	(15,518)
Items not affecting funds		
Amortization	1,063	995
Employee termination benefits	(168)	(30)
Gain on disposal of property and equipment	(19)	(5)
Change in non-cash operating working capital items	842	(762)
Funds applied to operating activities	(19,953)	(15,320)
Financing activities		
Parliamentary appropriation	20,868	16,192
Investing activities		
Additions to property and equipment (net)	(1,219)	(606)
Increase (decrease) in cash and short term investments	(304)	266
Cash and short term investments at the beginning of the year	2,068	1,802
Cash and short term investments at the end of the year	1,764	2,068

NATIONAL MUSEUM OF SCIENCE AND TECHNOLOGY—*Continued*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1995

1. Authority, mandate and operations

The National Museum of Science and Technology was established by the *Museums Act* on July 1st, 1990, and is an agent Crown Corporation named in Part I of Schedule III to the *Financial Administration Act*.

The mandate of the Corporation as stated in the *Museums Act* is to foster scientific and technological literacy throughout Canada by establishing, maintaining and developing a collection of scientific and technical objects, with special but not exclusive reference to Canada, and by demonstrating the products and processes of science and technology and their economic, social and cultural relationships with society.

The Corporation's operations comprise the National Museum of Science and Technology, the National Aviation Museum and common support activities. Each Museum's operations are divided into two complementary activities:

Display facility operation

The operation of the public facilities of the Museum, including the development and maintenance of exhibits, interpretation, communication and promotion, gift shops, food services and other services to visitors.

Collection management

Curatorial research, cataloguing, documentation, conservation and restoration of the collection, the library and related services.

2. Accounting policies

(a) Inventories

Inventories are valued at the lower of cost and net realizable value.

(b) Collection

The collection constitutes the major portion of the Corporation's assets but is shown at a nominal value of $1,000 on the balance sheet because of the practical difficulties in reflecting it at a meaningful value. Objects purchased for the collection are recorded as expenses in the year of acquisition. Objects donated to the Corporation are not recorded in the books of accounts.

(c) Property and equipment

Property and equipment are recorded at cost. Capital assets are amortized using the straight-line method over their estimated useful lives as follows:

Building renovations	10 to 25 years
Equipment	5 to 12 years
Office furniture	5 to 10 years

(d) Pension plan

The employees of the Corporation participate in the Public Service Superannuation Plan administered by the Government of Canada. The employees and the Corporation contribute equally to the cost of the Plan. This contribution represents the total liability of the Corporation. Contributions in respect of current service are expensed during the year in which the service is rendered. The Corporation is not required under present legislation to make contributions with respect to actuarial deficiencies of the Public Service Superannuation Account.

(e) Commercial operations

Operating expenses of gift stores, cafeterias and product marketing, including costs relating to personnel, travel, transportation, advertising, building maintenance, rent and utilities, are included in operating expenses.

(f) Employee termination benefits

On termination of employment, employees of the Corporation are entitled to certain benefits provided for under their collective agreement and their conditions of employment. The cost of these benefits is expensed in the year in which they are earned.

(g) Parliamentary appropriation

Operating expenses and the acquisition of property and equipment are financed by a parliamentary appropriation which is credited to the equity of Canada in the year to which it applies.

3. Inventories

	1995	1994
	(in thousands of dollars)	
Books, pamphlets, replicas and other materials	302	237
Publications in process	123	13
	425	250

4. Trust account

This account was established by sub-section 15(1)(m) of the *Museums Act*, and is credited with moneys received by the Corporation by way of gift, bequest or otherwise, interest on securities, rent or sales of real property acquired by the Corporation by way of gift, bequest or otherwise. Also an amount representing interest on the balance is credited to the account. The account is charged with amounts expended for the purpose for which such moneys or property were given, bequeathed or otherwise made available to the Corporation. These transactions are not included in the statement of operations.

	1995	1994
	(in thousands of dollars)	
Receipts		
Gifts and bequests	4	4
Interest	34	25
	38	29
Disbursements		56
Excess of receipts over disbursements (disbursements over receipts)	38	(27)
Balance at the beginning of the year	630	657
Balance at the end of the year, represented by cash and securities	668	630

NATIONAL MUSEUM OF SCIENCE AND TECHNOLOGY—*Concluded*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1995—*Concluded*

5. Property and equipment

	1995			1994
	Cost	Accumulated amortization	Net book value	Net book value
	(in thousands of dollars)			
Building renovations	5,184	923	4,261	4,019
Equipment	4,262	3,058	1,204	1,273
Office furniture	3,604	2,784	820	818
	13,050	6,765	6,285	6,110

6. Related party transactions

The Corporation is related to all Government of Canada departments, agencies and Crown Corporations. The Corporation incurred expenses for the work and services provided by other government departments and agencies. These transactions were conducted in the normal course of operations, under the same terms and conditions that applied to outside parties.

7. Commitments

As at March 31, 1995, the Corporation had entered into various agreements mainly for the provision of professional services. The future minimum payments required under these agreements are $503,000 in 1995-96.

8. Custody of Corporation buildings and associated leased space

Effective April 1, 1994, Public Works and Government Services Canada transferred to the Corporation the administration of the National Aviation Museum and the National Museum of Science and Technology buildings and associated leased space. The transfer of responsibilities resulted in the addition of $5,402,000 to the Corporation's operating and capital budgets provided by parliamentary appropriation.

9. Restructuring

In an effort to reduce expenses, the Corporation developed a plan aimed at reducing salary costs through early retirement and lay offs. The cost of these initiatives is $495,686, and has been charged to operations in the year ended March 31, 1995.

10. Comparative figures

Certain comparative figures have been reclassified to conform to the presentation adopted in 1994-95.

OPERATING EXPENSES
FOR THE YEAR ENDED MARCH 31, 1995
(in thousands of dollars) SCHEDULE 1

	1995	1994
Personnel costs	11,501	11,436
Rental of buildings	2,689	
Professional and special services	2,516	1,797
Amortization	1,063	995
Gift stores, cafeteria and product marketing	661	496
Utilities	623	
Materials and supplies	575	345
Publications	552	295
Repair and upkeep of buildings	549	
Protection services	503	529
Property management services	350	
Repair and upkeep of equipment	500	272
Advertising	496	432
Restructuring costs	496	
Design and display	397	165
Travel	245	210
Rentals of equipment	211	128
Communications	190	180
Office supplies and equipment	170	135
Freight, express and cartage	154	179
Books	96	92
Purchase of objects for the collection	91	33
Miscellaneous	11	2
	24,639	17,721

COMMERCIAL OPERATIONS
FOR THE YEAR ENDED MARCH 31, 1995
(in thousands of dollars) SCHEDULE 2

	1995	1994
Revenue		
Gift shops	786	595
Food services	282	283
Product marketing	96	
Rentals	30	14
	1,194	892
Cost of sales		
Gift shops	487	319
Food services	106	114
Product marketing	77	
Rentals	6	
	676	433
Operating costs		
Gift shops	253	200
Food services	188	167
Product marketing	269	
	710	367
Net profit (loss)	(192)	92

OLD PORT OF MONTREAL CORPORATION INC.

AUDITOR'S REPORT

TO THE MINISTER DESIGNATE OF PUBLIC WORKS
AND GOVERNMENT SERVICES

I have audited the balance sheet of the Old Port of Montreal Corporation Inc. as at March 31, 1995 and the statements of revenue and expenditures, Minister's account and changes in financial position for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 1995 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles. As required by the *Financial Administration Act*, I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

As described in Note 10 to the financial statements, the operating expenditures of the Corporation have exceeded by $582,047 the 1994-95 operating budget approved with its Corporate Plan. In my opinion, this is not in compliance with Article 9(e) of the Agreement between the Corporation and Her Majesty in Right of Canada represented by the Minister of Public Works and Government Services because the Corporation has not obtained authorization from the Minister and the Treasury Board to spend sums in excess of that provided in its approved budget, as required by the Agreement. Discussions are continuing between the Corporation and government authorities on the means to make up the deficit balance of the Minister's account.

Further, in my opinion, except that the Corporation has not complied with Article 9(e) of the Agreement as described in the preceding paragraph, the transactions of the Corporation that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Canada Business Corporations Act*, the articles and the by-laws of the Corporation and the Agreement mentioned above.

Raymond Dubois, FCA
Deputy Auditor General
for the Auditor General of Canada

Ottawa, Canada
June 2, 1995

BALANCE SHEET AS AT MARCH 31, 1995

ASSETS	1995	1994
	$	$
Current		
Cash	893,305	3,011,297
Accounts receivable	581,466	612,321
Prepaid expenses	574,326	413,554
	2,049,097	4,037,172

LIABILITIES	1995	1994
	$	$
Current		
Accounts payable	2,027,071	3,104,045
Deferred revenue	95,122	381,201
Due to Receiver General for Canada (Note 3)	433,909	47,319
	2,556,102	3,532,565
Provision for employee termination benefits	333,150	294,208
	2,889,252	3,826,773
Contingencies (Note 6)		
EQUITY (DEFICIT) OF CANADA		
Minister's Account	(840,155)	210,399
Capital stock (Note 4)		
	2,049,097	4,037,172

Approved by the Board:

BERNARD LAMARRE
Director

RAYMOND CYR
Director

OLD PORT OF MONTREAL CORPORATION INC.—*Continued*

REVENUE AND EXPENDITURES
FOR THE YEAR ENDED MARCH 31, 1995

	1995	1994
	$	$
Revenue		
Animation programs	4,408,172	4,596,767
Less: royalties to third parties	293,720	527,945
	4,114,452	4,068,822
Daily and monthly parking	2,368,202	2,182,288
Concessions and exclusive rights	1,779,016	947,925
Interest	95,728	107,632
Other	507,644	489,296
	8,865,042	7,795,963
Operating expenditures		
Maintenance of property and space rentals	4,242,855	4,026,636
Animation programs	3,666,238	3,261,915
Administration	1,279,665	1,403,627
Communications	1,950,289	1,713,162
	11,139,047	10,405,340
Excess of operating expenditures over revenue	2,274,005	2,609,377
Capital expenditures	1,342,640	2,343,585
Excess of expenditures over revenue	3,616,645	4,952,962
Revenue alloted to the Consolidated Revenue Fund of Canada	433,909	515,899
Amount to be funded for the year	4,050,554	5,468,861

CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED MARCH 31, 1995

	1995	1994
	$	$
Operating activities		
Excess of operating expenditures over revenue	(2,274,005)	(2,609,377)
Decrease in accounts receivable	30,855	549,002
Increase in prepaid expenses	(160,772)	(388,235)
Decrease in accounts payable	(1,076,974)	(4,498,322)
Increase (decrease) in deferred revenue	(286,079)	381,201
Increase in the provision for employee termination benefits	38,942	6,058
	(3,728,033)	(6,559,673)
Investing activities		
Capital expenditures	(1,342,640)	(2,343,585)
Financing activities		
Parliamentary appropriations received	3,000,000	9,741,890
Remittances to the Consolidated Revenue Fund	(47,319)	(578,113)
	2,952,681	9,163,777
Cash		
Increase (decrease) for the year	(2,117,992)	260,519
Balance at beginning of the year	3,011,297	2,750,778
Balance at end of the year	893,305	3,011,297

MINISTER'S ACCOUNT
FOR THE YEAR ENDED MARCH 31, 1995

	1995	1994
	$	$
Balance in excess (deficit) at beginning of year	210,399	(4,062,630)
Amount to be funded for the year	(4,050,554)	(5,468,861)
	(3,840,155)	(9,531,491)
Parliamentary appropriations received	3,000,000	9,741,890
Balance in excess (deficit) at the end of the year (Note 10)	(840,155)	210,399

OLD PORT OF MONTREAL CORPORATION INC.—*Continued*

NOTES TO FINANCIAL STATEMENTS
AS AT MARCH 31, 1995

1. Authority and activities

The Old Port of Montreal Corporation Inc. was incorporated on November 26, 1981 under the *Canada Business Corporations Act* and is a wholly-owned subsidiary of Canada Lands Company Limited, a Crown corporation named in Part I of Schedule III to the *Financial Administration Act*.

Effective February 1, 1982, pursuant to an agreement between the Corporation and Her Majesty in Right of Canada represented by the Minister of Public Works and Government Services, the Corporation is responsible for developing and for promoting the development of the lands of the Old Port of Montreal, and for administering, managing, and maintaining the property of Her Majesty located therein. The Corporation fulfils this responsibility in the name and for the account of the Minister of Public Works and Government Services who continues to hold title to the capital assets for the benefit of Her Majesty.

2. Significant accounting policies

(a) Financial statement presentation

The financial statements present transactions carried out by the Corporation as agent and on behalf of the Minister of Public Works and Government Services.

(b) Amount to be funded

All expenditures incurred by the Corporation, net of revenue used for its operations, are reimbursable by the Minister of Public Works and Government Services using a parliamentary appropriation.

The difference between parliamentary appropriations received and the amount to be funded is recorded in the Minister's Account.

(c) Employee termination benefits

On termination of employment, employees of the Corporation are entitled to certain benefits provided for under the salary administration policy of the Corporation. The cost of these benefits is recorded in the year in which they are earned by the employees.

(d) Revenue

Pursuant to the agreement between the Corporation and the Minister of Public Works and Government Services, proceeds from the direct use of capital assets having titles held by the Minister are allotted to the Consolidated Revenue Fund of Canada and are to be remitted to the Receiver General for Canada. Other proceeds are used by the Corporation for its operations.

(e) Expenditures of a capital nature

Expenditures of a capital nature represent costs that significantly increase the value or extend the useful lives of properties administered by the Corporation. They also include costs of demolishing structures. Capital assets are not disclosed in the balance sheet since the Minister of Public Works and Government Services holds title to the capital assets for the benefit of Her Majesty.

(f) Retirement savings plan

The Corporation has established a group retirement savings plan under which a single trust was established with a private sector organization in order to accumulate contributions to provide a retirement income for the employees through individually registered retirement savings plans. All contributions are paid by the employees, the Corporation acting solely as an agent without incurring any liability.

3. Due to Receiver General for Canada

	1995	1994
	$	$
Balance at beginning of the year	47,319	109,533
Proceeds alloted to the Consolidated Revenue Fund of Canada		
Derived from operations:		
Monthly parking	322,762	415,379
Rentals	73,605	71,314
Other	37,542	29,206
	433,909	515,899
	481,228	625,432
Remittances	(47,319)	(578,113)
Balance at end of the year	433,909	47,319

4. Capital stock

The Corporation is authorized to issue a single share, to be held in trust for Her Majesty in Right of Canada, which may not be transferred without the consent of the Governor General in Council. The authorized share has been issued in consideration of services rendered.

5. Commitments

As at March 31, 1995, the commitments totalled $1,458,082 ($2,212,033 as at March 31, 1994).

6. Contingencies

As operator of the Expotec/Imax program, the Corporation has committed itself to take charge of the contingent liability that may result from a litigation between a municipal corporation and a services supplier. As at March 31, 1995, the Corporation estimated this contingent liability to be approximately $2.0 million. On November 11, 1993, the Quebec Court rendered a judgement in favour of the services supplier. However, the municipal corporation appealed this cause on December 6, 1993. The Corporation considers that this lawsuit is ill-founded, and consequently no provision has been recorded.

Various claims have been brought against the Corporation in the normal course of business.

It is the opinion of management that the settlement of these contingencies will not result in any material liabilities to the Corporation. Any payment resulting from an unfavourable decision against the Corporation would be charged to the year during which the Corporation would actually be compelled to pay.

OLD PORT OF MONTREAL CORPORATION INC.—*Concluded*

NOTES TO FINANCIAL STATEMENTS
AS AT MARCH 31, 1995—*Concluded*

7. Related party transactions

The Corporation is related in terms of common ownership to all Government of Canada departments, agencies and Crown corporations. The Corporation enters into transactions with these entities in the normal course of business.

8. Cumulative data since November 26, 1981

	Accumulated as at March 31, 1994	1994-95	Accumulated as at March 31, 1995
	$	$	$
Capital expenditures	129,394,919	1,342,640	130,737,559
Excess of operating expenditures over revenue............	29,136,591	2,274,005	31,410,596
Proceeds allotted to the Consolidated Revenue Fund of Canada	4,151,181	433,909	4,585,090
Amount funded by the Minister of Public Works and Government Services	162,682,691	4,050,554	166,733,245

9. Breakdown of accumulated capital expenditures

	Accumulated as at March 31, 1994	1994-95	Accumulated as at March 31, 1995
	(in thousands of dollars)		
Improvement to lands and to areas of water	84,394	305	84,699
Buildings	20,935	800	21,735
Bridges..................	4,521		4,521
Major wharf repairs........	7,941	14	7,955
Furniture, urban furniture and equipment..........	6,497	200	6,697
Substructure and public services	4,628	24	4,652
Archeaological relics	479		479
	129,395	1,343	130,738

10. Deficit balance of the Minister's Account

The deficit balance of $840,155 in the Minister's Account is explained as follows:

	$	$
Over expenditures:		
Operating expenditures	11,139,047	
Approved operating budget	10,557,000	
Excess of operating expenditures over budget......................		582,047
Capital expenditures.................	1,342,640	
Approved capital budget	(1,619,000)	
Portion of this budget carried back to 1993-94	268,601	
Unused portion of capital budget		(7,759)
		574,288
Revenue shortfall		
Revenue...........................	8,865,042	
Proceeds allotted to the Consolidated Revenue Fund of Canada..........................	(433,909)	
Revenue retained by the Corporation ...	8,431,133	
Approved budgeted revenue	8,697,000	
		265,867
		840,155

The excess of expenditures of $574,288 includes $253,700 of non monetary transactions.

Anticipating this shortfall, the Corporation has been discussing the matter with the Minister of Public Works and Government Services and the Treasury Board Secretariat since the fall of 1994. The contemplated solution was to propose to the Treasury Board to allow the Corporation to retain all its revenues. The Treasury Board's refusal has been communicated to the Corporation at the end of the financial year.

Discussions are continuing with the Minister of Public Works and Government Services and the Treasury Board Secretariat regarding this shortfall.

11. Change in presentation

Certain figures in the year 1993-94 have been reclassified to conform with the presentation adopted in 1994-95.

PACIFIC PILOTAGE AUTHORITY

AUDITOR'S REPORT

TO THE MINISTER OF TRANSPORT

I have audited the balance sheet of Pacific Pilotage Authority as at December 31, 1994 and the statements of operations, retained earnings and changes in financial position for the year then ended. These financial statements are the responsibility of the Authority's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Authority as at December 31, 1994 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles. As required by the *Financial Administration Act*, I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Authority that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Pilotage Act* and regulations and the by-laws of the Authority.

D. Larry Meyers, FCA
Deputy Auditor General
for the Auditor General of Canada

Ottawa, Canada
February 3, 1995

BALANCE SHEET AS AT DECEMBER 31, 1994
(in thousands of dollars)

ASSETS	1994	1993
Current		
Cash and short-term investments	2,056	3,231
Accounts receivable	3,380	3,593
Prepaid expenses	181	174
	5,617	6,998
Property and equipment (Note 3)	820	908
	6,437	7,906

LIABILITIES	1994	1993
Current		
Accounts payable and accrued liabilities	2,538	2,399
Long-term		
Accrued employee termination benefits	578	573
Obligations under capital leases	11	21
	589	594
	3,127	2,993
EQUITY OF CANADA		
Contributed capital	806	806
Retained earnings	2,504	4,107
	3,310	4,913
	6,437	7,906

Approved by the Authority:

DENNIS McLELLAN
Chairman

COLIN IVES
Member

PACIFIC PILOTAGE AUTHORITY—*Continued*

STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 1994
(in thousands of dollars)

	1994	1993
Revenues		
Pilotage charges	33,516	30,810
Interest and other income	158	202
	33,674	31,012
Expenses		
Contract pilots' fees	24,601	20,971
Operating costs of pilot boats	3,634	3,519
Transportation and travel	3,427	3,209
Staff salaries and benefits	1,709	1,502
Pilots' salaries and benefits	810	853
Professional and special services	282	176
Rentals	205	215
Computer services	192	102
Amortization	161	162
Utilities, materials and supplies	160	118
Communications	78	91
Repairs and maintenance	13	24
Interest on capital leases	5	3
	35,277	30,945
Net income (loss) for the year	(1,603)	67

STATEMENT OF RETAINED EARNINGS
FOR THE YEAR ENDED DECEMBER 31, 1994
(in thousands of dollars)

	1994	1993
Appropriated		
Balance at beginning and end of the year	500	500
Unappropriated		
Balance at beginning of the year	3,607	3,540
Net income (loss) for the year	(1,603)	67
Balance at end of the year	2,004	3,607
	2,504	4,107

STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED DECEMBER 31, 1994
(in thousands of dollars)

	1994	1993
Operating activities		
Net income (loss) for the year	(1,603)	67
Items not affecting cash		
Amortization	161	162
Employee termination benefits	5	73
Loss (gain) on disposal of property and equipment	12	(5)
Change in non-cash operating components of working capital	345	(531)
Cash generated by (used for) operating activities	(1,080)	(234)
Investing activities		
Additions to property and equipment	(85)	(217)
Proceeds from disposal of property and equipment		5
	(85)	(212)
Financing activities		
Increase (decrease) in long-term obligations under capital leases	(10)	20
Decrease in cash	(1,175)	(426)
Cash and short-term investments at beginning of the year	3,231	3,657
Cash and short-term investments at end of the year	2,056	3,231

PACIFIC PILOTAGE AUTHORITY—*Concluded*

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1994

1. Authority and objectives

The Pacific Pilotage Authority was established in 1972 pursuant to the *Pilotage Act.* The objectives of the Authority are to establish, operate, maintain and administer a safe and efficient pilotage service within designated Canadian waters. The Act further provides that the tariffs of pilotage charges shall be fair and reasonable and consistent with providing a revenue, together with any revenue from other sources, sufficient to permit the Authority to operate on a self-sustaining financial basis.

Pilotage services on the Fraser River are provided by employee pilots and in other coastal waters under a contract with a local licensed pilots' company.

The Authority is a Crown corporation named in Part I of Schedule III to the *Financial Administration Act* and is not subject to any income taxes.

2. Significant accounting policies

Capital leases

Under the terms of certain lease agreements the Authority assumes the rights and obligations of ownership. These leases are treated as capital leases. An asset and an obligation are recorded at an amount equal to the market value of the asset at the beginning of the lease. The obligation is reduced each year by the principal portion of the lease payments and the interest portion is charged to expense.

Amortization

Amortization of property and equipment is calculated on a straight-line basis and is based on the estimated useful lives of the assets as follows:

Buildings	20 years
Pilot boats	25 years
Equipment—Communication and other	10 years
—Computer	5 years
Leasehold improvements	15 years

Employee termination benefits

Employees are entitled to specified benefits on termination as provided for under labour contracts and conditions of employment. The liability for these payments is recorded in the accounts as the benefits accrue to the employees.

Contributed capital

Amounts representing the values assigned to property and equipment transferred from Canada in 1972 and the cost of any property and equipment financed from parliamentary appropriations are shown as contributed capital.

Appropriated retained earnings

Amounts are appropriated from time to time by the Authority to provide for extraordinary costs arising from renewal or acquisition of property and equipment and for contingencies.

Pension plan

All employees are covered by the Public Service Superannuation Plan administered by the Government of Canada. Contributions to the Plan are required from both the employee and the Authority. These contributions represent the total liability of the Authority and are recognized in the accounts on a current basis.

3. Property and equipment

	1994			1993
	Cost	Accumulated amortization	Net	Net
	(in thousands of dollars)			
Buildings	67	54	13	4
Pilot boats	1,306	1,003	303	346
Equipment —Communication and other	618	251	367	396
—Computers	554	453	101	131
Leasehold improvements	78	42	36	31
	2,623	1,803	820	908

The above assets include computers under capital leases at a total value of $31,434 (1993—$33,188) less accumulated amortization of $14,310 (1993—$7,673).

4. Commitments

The Authority has a long-term operating lease obligation for office accommodation aggregating $433,800 to December 31, 1999 at a base annual rent of $86,760. The obligation also calls for pro-rata share of annual operating costs estimated at $32,280 for 1995.

The Authority has an operating lease agreement for the services at Cape Beale of a manned pilot boat until December 31, 1996. For 1994, rent was $343,128. In addition, the Authority paid $140 per assignment for a manned pilot boat at English Bay.

PETRO-CANADA LIMITED

AUDITOR'S REPORT

TO THE MINISTER OF FINANCE

I have audited the balance sheet of Petro-Canada Limited as at December 31, 1994 and the statements of earnings and retained earnings and changes in financial position for the year then ended. These financial statements are the responsibility of the corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the corporation as at December 31, 1994 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles. As required by the *Financial Administration Act*, I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the corporation that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Petro-Canada Limited Act* and by-laws of the corporation.

Wm. F. Radburn, FCA
Assistant Auditor General
for the Auditor General of Canada

Ottawa, Canada
March 31, 1995

BALANCE SHEET
AS AT DECEMBER 31, 1994
(stated in millions of dollars)

ASSETS	1994	1993
Current assets		
Cash and short-term deposits	3	2
Accrued interest receivable	9	9
Current portion of investments	15	12
	27	23
Investments (Note 3)	527	503
	554	526

LIABILITIES AND SHAREHOLDER'S EQUITY	1994	1993
Current liabilities		
Accrued interest payable	12	11
Deferred revenue (Note 3)	36	36
Long-term debt (Note 4)	505	479
Shareholder's equity (Note 5)	1	
	554	526

Approved by the Board

J.A. MacDONALD
Director

GORDON KING
Director

PETRO-CANADA LIMITED—*Continued*

STATEMENT OF EARNINGS AND RETAINED EARNINGS
FOR THE YEAR ENDED DECEMBER 31, 1994
(stated in millions of dollars)

	1994	1993
Revenue		
Interest income	44	41
Credit and guarantee fees	1	1
	45	42
Expenses		
Interest on long-term debt	44	41
Net earnings	1	1
Deficit at beginning of year	(29)	(22)
Dividend on common shares		(8)
Deficit at end of year	(28)	(29)

STATEMENT OF CHANGES
IN FINANCIAL POSITION
FOR THE YEAR ENDED DECEMBER 31, 1994
(stated in millions of dollars)

	1994	1993
Operating activities		
Net earnings	1	1
Non-cash items included in earnings	(14)	(11)
	(13)	(10)
Increase in operating working capital		(1)
	(13)	(11)
Investing activites		
Decrease in investments, net	17	10
Financing activities		
Repayment of long-term debt	(3)	
Dividend on common shares		(8)
	(3)	(8)
Increase (decrease) in cash and short-term deposits	1	(9)
Cash and short-term deposits at beginning of year	2	11
Cash and short-term deposits at end of year	3	2

PETRO-CANADA LIMITED—*Continued*

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1994
(tables are stated in millions of dollars)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) The Corporation

Petro-Canada Limited ("the Corporation") is an agent Crown corporation named in Part II of Schedule III of the *Financial Administration Act.*

(b) Translation of Foreign Currency

Monetary assets and liabilities are translated into Canadian dollars at rates of exchange in effect at the balance sheet date. Related interest income and expense are translated at rates of exchange in effect at the respective transaction dates. Investments hedge foreign currency fluctuations on long-term debt. Unrealized exchange gains or losses arising on translation of investments are offset against those relating to the long-term debt.

(c) Investments

Investments are carried at cost less amortization of premiums on acquisition. Premiums on acquisition are amortized on a straight-line basis over the life of the investments.

(d) Deferred Revenue

Deferred revenue is amortized on a straight-line basis over the life of the related investments.

2. RELATED PARTY TRANSACTIONS

In 1994 the Corporation had an operating services agreement with Petro-Canada whereby Petro-Canada provided various administrative, operating and management services on behalf of the Corporation for a fee of $94,000 (1993—$110,000).

The Corporation holds investments with a face value of U.S. $178 million (Canadian $250 million) (1993—U.S. $178 million (Canadian $235 million)) in an agency Crown corporation of the Government of Canada.

3. DEBT RESTRUCTURING

In May 1991, the Corporation entered into a debt restructuring agreement ("the Agreement") with Petro-Canada and the Government of Canada whereby Petro-Canada was to prepay to the Corporation the outstanding debentures receivable due to the Corporation based on the market value of the debentures on the date of prepayment. At December 31, 1992 Petro-Canada had prepaid all debentures receivable due to the Corporation thereby completing the repayment required under the terms of the Agreement. Proceeds from the prepayments were used to retire long-term debt of the Corporation. Where outstanding debentures in long-term debt could not be retired, investments were purchased by the Corporation to defease such debt.

Under the Agreement Petro-Canada paid to the Corporation a prepayment premium of U.S. $13 million (Canadian $15 million) in consideration of the costs associated with the prepayment of debentures receivable.

The Agreement provides for the payment to the Corporation of guarantee fees ("the fees") with respect to the guaranteed debt until its maturity. As at November 15, 1994 all guaranteed debt has matured.

In 1992, Petro-Canada prepaid U.S. $600 million of debentures receivable at market value of U.S. $671 million (Canadian $821 million) and paid a prepayment premium of U.S. $6.5 million (Canadian $8 million) to the Corporation. Subsequently, the Corporation redeemed U.S. $452 million of the corresponding debentures in long-term debt at a market value of U.S. $514 million (Canadian $624 million). Investments of U.S. $148 million (Canadian $188 million) were purchased to defease the remaining debentures in long-term debt.

The defeasance investments are intended to be held until maturity and therefore no provision is made for any decline in market value. Proceeds from interest and principal maturities of the investments approximate the Corporation's interest and principal obligations of the debentures in long-term debt. The Corporation has deferred the portion of the gain on retirement of debentures receivable and the portion of the prepayment premium associated with the long-term debt not redeemed.

4. LONG-TERM DEBT

	Maturity	1994	1993
In United States dollars			
7.25% unsecured debentures (U.S. $48 million)	1996	67	64
9.50% unsecured debentures (U.S. $96 million)	2003	135	127
8.60% unsecured debentures (U.S. $158 million)	2010	221	209
8.25% unsecured debentures (U.S. $38 million)	2016	54	53
9.70% unsecured debentures (U.S. $16 million)	2018	23	21
8.80% unsecured debentures (U.S. $4 million)	2019[1]	5	5
		505	479

[1] Redeemable, at face value, in 2004 at the option of the holder thereof.

The minimum repayment of long-term debt in the next five years is $67 million in 1996.

PETRO-CANADA LIMITED—*Concluded*

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1994—*Concluded*

5. SHAREHOLDER'S EQUITY

	1994	1993
Capital	2,727	2,727
Deficit	(28)	(29)
	2,699	2,698
Shareholder's equity attributed to investment in Petro-Canada transferred to the Government of Canada in 1991	(2,698)	(2,698)
	1	

Authorized Capital

(a) 71,188 common shares with a par value of one hundred thousand dollars each, and

(b) Preferred shares issued to the Government of Canada provided that the amount of such shares together with any loans received, and outstanding, from the Consolidated Revenue Fund of the Government of Canada is not in excess of one billion dollars. These shares have a par value of one dollar each, are redeemable at par at the option of the Corporation, carry no stated rate of dividend and are non-cumulative.

Issued to the Government of Canada

	Number of Shares	1994	1993
Common shares	17,540	1,754	1,754
Preferred shares	972,771,853	973	973
Total capital		2,727	2,727

6. INCOME TAXES

Pursuant to an Order-in-Council and subsequent amendments to income tax legislation, effective July 3, 1991 the Corporation became an exempt corporation for purposes of the *Income Tax Act* and is not liable for income taxes after that date.

PORT OF QUÉBEC CORPORATION

AUDITORS' REPORT

TO THE HONOURABLE DOUGLAS YOUNG, P.C., M.P.
MINISTER OF TRANSPORT

We have audited the balance sheet of Port of Québec Corporation as at December 31, 1994 and the statements of earnings and surplus and changes in financial position for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 1994 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

We further report that, in our opinion, the transactions of the Corporation that have come to our notice in the course of our examination of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Canada Ports Corporation Act* and with the charter and by-laws of the Corporation.

The comparative financial statements shown were audited by other auditors.

Mallette Maheu
Chartered Accountants

Québec, Canada
February 2, 1995

BALANCE SHEET AS AT DECEMBER 31, 1994

ASSETS	1994	1993
	$	$
Current assets		
Cash	348,488	481,213
Short-term investments (Note 3)	1,807,174	3,442,804
Accounts receivable	1,813,231	2,052,774
Materials and supplies	157,632	160,223
	4,126,525	6,137,014
Investments (Note 3)	2,485,531	
Fixed assets (Note 4)	55,236,881	57,952,093
	61,848,937	64,089,107

LIABILITIES	1994	1993
	$	$
Current liabilities		
Accounts payable and accrued liabilities	1,179,829	1,161,476
Grants in lieu of municipal taxes	81,917	133,432
Deferred revenues	916,646	862,897
Current portion of long-term debt	161,577	149,324
	2,339,969	2,307,129
Long-term debt		
Accrued employee benefits	918,000	1,042,000
Loans from Interport Loan Fund (Note 5)	6,317,537	6,479,114
	7,235,537	7,521,114
	9,575,506	9,828,243
EQUITY OF CANADA		
Contributed capital	51,852,198	51,852,198
Surplus	421,233	2,408,666
	52,273,431	54,260,864
	61,848,937	64,089,107

Contingencies (Note 7)
See accompanying notes to financial statements.

On behalf of the Board:

RENÉ PAQUET
Chairman of the Board

ROSS GAUDREAULT
President and Chief Executive Officer

PORT OF QUÉBEC CORPORATION—*Continued*

STATEMENT OF EARNINGS AND SURPLUS FOR THE YEAR ENDED DECEMBER 31, 1994

	1994	1993
	$	$
Revenue from operations	11,449,579	11,039,270
Expenses		
Operating and administrative	8,556,699	9,218,989
Grants in lieu of municipal taxes	1,339,211	1,536,072
	9,895,910	10,755,061
Earnings before depreciation and other revenue (expenses)	1,553,669	284,209
Depreciation of fixed assets	3,213,949	3,304,123
Loss before other revenue (expenses)	(1,660,280)	(3,019,914)
Other revenue (expenses)		
Investment income	216,875	42,334
Interest expense	(544,028)	(374,615)
	(327,153)	(332,281)
Loss before other items	(1,987,433)	(3,352,195)
Other items		
Gain on settlement of grants in lieu of municipal taxes		315,000
Compensation received on a lease signature		150,000
		465,000
Loss for the year	(1,987,433)	(2,887,195)
Surplus at beginning of year	2,408,666	5,295,861
Surplus at end of year	421,233	2,408,666

See accompanying notes to financial statements.

STATEMENT OF CHANGES IN FINANCIAL POSITION FOR THE YEAR ENDED DECEMBER 31, 1994

	1994	1993
	$	$
Operating activities		
Loss for the year	(1,987,433)	(2,887,195)
Operating items not involving cash:		
Depreciation of fixed assets	3,213,949	3,304,123
Accrued employees benefits	(124,000)	42,000
Other	(6,474)	(5,943)
	1,096,042	452,985
Net change in non-cash components of working capital	262,721	1,648,505
Net funds from operations	1,358,763	2,101,490
Financing activities		
Loans from Interport Loan Fund		3,200,000
Reinbursement of loans from Interport Loan Fund	(149,324)	(71,562)
Net funds used for financing	(149,324)	3,128,438
Investing activities		
Long-term investments	(2,480,324)	
Additions to fixed assets	(500,177)	(2,553,733)
Proceeds from disposal of fixed assets	2,707	22,507
Net funds used for investment	(2,977,794)	(2,531,226)
Increase (decrease) in cash position	(1,768,355)	2,698,702
Cash position at beginning of year	3,924,017	1,225,315
Cash position at end of year	2,155,662	3,924,017

See accompanying notes to financial statements.

The cash position of the Corporation is composed of cash and short-term investments.

PORT OF QUÉBEC CORPORATION—*Continued*

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1994

1. STATUTES OF INCORPORATION AND NATURE OF ACTIVITIES

The Port of Québec Corporation was incorporated on June 1st, 1984, under section 6.2(1) of the *Canada Ports Corporation Act*. The Corporation is exempt from income taxes.

2. SIGNIFICANT ACCOUNTING POLICIES

Investments

Investments, which are guaranteed securities of Canada, are shown at amortized cost whereby premiums and discounts from par value are amortized over the periods to maturity.

Fixed assets

Fixed assets are recorded at cost except for those transferred to the Corporation from Canada, which are recorded at appraised or fair market value established at the time of transfer. Grants received from Canada and from third parties for capital projects are deducted from the cost of the related fixed assets.

Depreciation is calculated on the straight-line basis commencing with the year the asset becomes operational, using the following annual rates:

Assets	Rates %
Dredging	2.5-6.7
Berthing structures	2.5-10
Buildings	2.5-10
Utilities	3.3-10
Roads and surfaces	2.5-10
Machinery and equipment	5-20
Office furniture and equipment	20

Pension costs

All permanent employees of the Corporation are covered by the Public Service Superannuation Plan administered by Canada. Contributions to the plan are required from both the employees and the Corporation. The annual contributions represent the liability of the Corporation for pensions and are recognized in the accounts on a current basis.

Insurance

The Port of Québec Corporation assumes all risks with respect to workers' compensation claims. Any costs arising from these claims are recorded in the accounts in the year, based on the invoices received or to be received from Labour Canada for the year.

Grants in lieu of municipal taxes

The expense for grants in lieu of municipal taxes is estimated based on municipal assessments adjusted in accordance with the *Municipal Grants Act*. Grants are paid after the amounts have been audited by the Municipal Grants Division of Public Works Canada. Any adjustments upon finalization are reflected in the accounts in the year of settlement.

Employee benefits

The Corporation accrues estimated liabilities for severance pay, annual leave and overtime compensatory leave, which are payable to its employees in subsequent years under collective agreements, or in accordance with its policy.

3. INVESTMENTS

Short-term investments consist of Canada Treasury bills.

Long-term investments of $2,485,531 consist of Canada bonds and as at December 31, 1994, their market value is $2,438,275.

4. FIXED ASSETS

	1994			1993
	Cost	Accumulated depreciation	Net book value	Net book value
	$	$	$	$
Land	11,155,836		11,155,836	11,155,836
Dredging	4,561,342	4,119,673	441,669	469,730
Berthing structures	24,099,554	19,319,803	4,779,751	5,082,570
Buildings	42,154,386	20,682,301	21,472,085	22,751,479
Utilities	19,915,720	6,090,483	13,825,237	14,719,996
Roads and surfaces	6,390,162	5,106,591	1,283,571	1,357,359
Machinery and equipment	1,046,226	675,915	370,311	431,050
Office furniture and equipment	1,628,979	1,575,011	53,968	239,641
Projects in progress	1,854,453		1,854,453	1,744,432
	112,806,658	57,569,777	55,236,881	57,952,093

PORT OF QUÉBEC CORPORATION—*Concluded*

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1994—*Concluded*

5. LOANS FROM INTERPORT LOAN FUND

	1994	1993
	$	$
Loans bearing interest: 8.5% and 8.73%, payable in annual instalments of $372,512 including interest, maturing in 2012	3,350,723	3,428,438
Loans bearing interest: 8.07% and 7.54%, payable in annual instalments of $320,839 including interest, maturing in 2013	3,128,391	3,200,000
	6,479,114	6,628,438
Current portion of long-term debt	161,577	149,324
	6,317,537	6,479,114

The aggregate maturities of long-term debt for each of the five following years: 1995—$161,577; 1996—$174,838; 1997—$189,192; 1998—$204,727 and 1999—$221,542.

6. RELATED PARTY TRANSACTIONS

During the year, the Corporation entered into transactions with related entities including various departments, government organizations and Crown corporations.

Principally, the Corporation earned rental revenues of $752,000 (1993—$648,000) from related entities. The expenses paid to related parties mainly consist in reimbursements of $814,000 (1993—$761,000) to Canada Ports Corporation as its share of the Corporation's head office expenses. The Corporation has also earned investment income of $216,875 (1993—$42,334).

The Corporation has accounts payable of $491,000 (1993—$298,000) and accounts receivable of $120,000 (1993—$157,000) with the same related parties.

7. CONTINGENCIES

Claims aggregating approximately $1,000,000 have been received by the Corporation in respect to construction of an hangar. A provision of $100,000 has been accounted for in the financial statements in relation with these contingencies. Any additionnal amount payable in connection with those claims will be capitalized to the cost of buildings.

In addition, claims for an estimated amount of approximately $5,000,000 have been received by the Corporation concerning the ownership of certain lands. Any amount payable in connection with those claims will be capitalized to the cost of land.

In the Corporation's view, its position is defensible and the final outcome of such claims should not result in any material loss.

PRINCE RUPERT PORT CORPORATION

AUDITORS' REPORT

TO THE HONOURABLE DOUGLAS YOUNG, P.C., M.P.
MINISTER OF TRANSPORT

We have audited the balance sheet of Prince Rupert Port Corporation as at December 31, 1994 and the statements of earnings (loss) and surplus and changes in financial position for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 1994 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles. As required by the *Financial Administration Act*, we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in our opinion, the transactions of the Corporation that have come to our notice during our examination of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, and the letters patent and by-laws of the Corporation.

KPMG Peat Marwick Thorne
Chartered Accountants

New Westminster, Canada
January 27, 1995

BALANCE SHEET AS AT DECEMBER 31, 1994

ASSETS	1994	1993	LIABILITIES AND EQUITY OF CANADA	1994	1993
	$	$		$	$
Current assets:			Current liabilities:		
Cash	371,096	600,253	Accounts payable and accrued liabilities	431,407	897,174
Investments (Note 2)	11,768,675	10,329,579	Grants in lieu of municipal taxes	841,580	866,896
Accounts receivable	1,695,931	1,017,035	Deferred revenues	213,498	240,307
Materials and supplies	168,210	205,993	Principal due within one year on loans from Canada	444,255	403,010
	14,003,912	12,152,860		1,930,740	2,407,387
Property and equipment (Note 3)	97,642,791	99,542,097	Loans from Canada (Note 4)	15,334,477	15,778,732
			EQUITY OF CANADA:		
			Contributed capital	79,611,805	79,611,805
			Surplus	14,769,681	13,897,033
				94,381,486	93,508,838
	111,646,703	111,694,957		111,646,703	111,694,957

Commitments (Note 5)
See accompanying notes to financial statements.

Approved by the Board:

PETER LESTER
Chairman of the Board

JOHN D. McNISH
Director

PRINCE RUPERT PORT CORPORATION—*Continued*

STATEMENT OF EARNINGS (LOSS) AND SURPLUS FOR THE YEAR ENDED DECEMBER 31, 1994

	1994	1993
	$	$
Revenue from operations	12,521,810	12,873,525
Expenses:		
Contractual services	4,308,559	5,305,347
Operating and administrative	3,268,048	3,601,806
Depreciation	2,443,586	2,383,371
Grants in lieu of municipal taxes	638,184	576,707
	10,658,377	11,867,231
Earnings from operations	1,863,433	1,006,294
Other earnings (expense):		
Interest	668,508	596,554
Interest expense	(1,659,293)	(1,696,640)
	(990,785)	(1,100,086)
Net earnings (loss)	872,648	(93,792)
Surplus, beginning of year	13,897,033	14,030,166
	14,769,681	13,936,374
Dividend to Canada		39,341
Surplus, end of year	14,769,681	13,897,033

See accompanying notes.

STATEMENTS OF CHANGES IN FINANCIAL POSITION FOR THE YEAR ENDED DECEMBER 31, 1994

	1994	1993
	$	$
Cash provided by (used in):		
Operations:		
Net earnings (loss)	872,648	(93,792)
Items not involving cash:		
Depreciation	2,443,586	2,383,371
Changes in non-cash operating working capital:		
Accounts receivable	(678,896)	142,268
Materials and supplies	37,783	32,304
Accounts payable and accrued liabilities	(465,767)	559,707
Grants in lieu of municipal taxes	(25,316)	131,757
Deferred revenues	(26,809)	3,884
	2,157,229	3,159,499
Financing:		
Decrease in loans from Canada	(403,010)	(365,597)
Dividend to Canada		(39,341)
	(403,010)	(404,938)
Investment:		
Purchase of capital assets	(1,479,280)	(1,231,921)
Proceeds on disposal of capital assets	35,000	
Reimbursement of capital asset costs	900,000	
	(544,280)	(1,231,921)
Increase in cash position	1,209,939	1,522,640
Cash position, beginning of year	10,929,832	9,407,192
Cash position, end of year	12,139,771	10,929,832
Cash position is defined as:		
Cash	371,096	600,253
Investments	11,768,675	10,329,579
Cash position	12,139,771	10,929,832

See accompanying notes.

PRINCE RUPERT PORT CORPORATION—*Continued*

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1994

LOCAL PORT CORPORATION

The Prince Rupert Port Corporation was established effective June 1, 1984 as a local port corporation pursuant to the *Canada Ports Corporation Act*. The Corporation is exempt from income taxes.

On June 1, 1984, all the assets and liabilities of Canada Ports Corporation relating to the Port of Prince Rupert were transferred to the Corporation at their book value as recorded by Canada Ports Corporation.

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Investments

The investments, which are direct and guaranteed securities of Canada, are shown at amortized cost. Premiums or discounts are amortized over the periods to maturity.

(b) Capital assets

Capital assets are recorded at cost. Grants towards capital projects received from Canada and from third parties are deducted from the cost of the related property and equipment.

Depreciation is calculated on the straight-line basis on the cost less any grant received, commencing with the year the asset becomes operational, at rates based on the estimated useful lives of the assets as follows:

Dredging	5%
Berthing structures	2.5-10%
Buildings	5-10%
Roads and surfaces	3.3-10%
Utilities	5-10%
Machinery and equipment	5-100%
Office furniture and equipment	20-33.3%

(c) Pension costs

All permanent employees of the Corporation are covered by the Public Service Superannuation Plan administered by Canada. Contributions to the plan are required from both the employees and the Corporation. The annual contributions represent the liability of the Corporation for pensions and are recognized in the accounts on a current basis.

(d) Grants in lieu of municipal taxes

The expense for grants in lieu of municipal taxes is estimated based on municipal assessments adjusted in accordance with the *Municipal Grants Act*. Grants are paid after the amounts have been audited by the Municipal Grants Division of Government Services Canada (formerly Public Works Canada). Any adjustments upon finalization are reflected in the accounts in the year of settlement.

(e) Employee benefits

The Corporation accrues in its accounts annually the estimated liabilities for severance pay, annual leave and overtime compensatory leave, which are payable to its employees in subsequent years.

2. INVESTMENTS

	1994	1993
	$	$
Amortized cost	11,768,675	10,329,579
Market value	11,768,565	10,338,522

3. CAPITAL ASSETS

	1994			1993
	Cost	Accumulated Depreciation	Net	Net
	$	$	$	$
Land	63,199,197		63,199,197	64,099,197
Dredging	332,187	72,821	259,366	276,169
Berthing structures	36,129,994	9,269,879	26,860,115	28,162,031
Buildings	6,227,181	1,823,806	4,403,375	2,338,153
Roads and surfaces	6,581,841	4,530,468	2,051,373	2,451,563
Utilities	2,589,383	2,193,341	396,042	556,086
Machinery and equipment	2,365,618	2,022,405	343,213	561,930
Office furniture and equipment	369,918	275,321	94,597	72,161
Construction in progress	35,513		35,513	1,024,807
	117,830,832	20,188,041	97,642,791	99,542,097

PRINCE RUPERT PORT CORPORATION—*Concluded*

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1994—*Concluded*

4. LOANS FROM CANADA

	1994	1993
	$	$
Interest-bearing loans at 9.80% to 10.40% repayable in blended annual instalments, maturing in 2010	15,778,732	16,181,742
Less principal included in current liabilities	444,255	403,010
	15,334,477	15,778,732

Principal payment requirements over the next five years are approximately as follows:

	$
1995	444,000
1996	490,000
1997	540,000
1998	595,000
1999	656,000
	2,725,000

5. COMMITMENTS

(a) The Corporation rents its premises under an operating lease which expires April 30, 1997. The future rent payable to the expiry date is as follows:

	$
1995	74,000
1996	74,000
1997	25,000
	173,000

(b) At December 31, 1994, commitments in connection with the acquisition of a terminal facility amounted to approximately $1,000,000.

6. RELATED PARTY TRANSACTIONS

(a) During the year, the Corporation recorded lease revenue of $2,049,976 (1993—$1,772,618) from Ridley Terminals Inc., a company which is a wholly-owned subsidiary of Canada Ports Corporation. At December 31, 1994, accounts receivable included $360,155 (1993—$278,926) from Ridley Terminals Inc.

(b) During the year, the Corporation expensed $694,566 (1993—$649,623) to Canada Ports Corporation as its share of that Corporation's head office expense. At December 31, 1994, accounts payable included $91,836 (1993—$10,083) to Canada Ports Corporation.

QUEENS QUAY WEST LAND CORPORATION

AUDITORS' REPORT

TO THE MINISTER DESIGNATE OF PUBLIC WORKS
AND GOVERNMENT SERVICES

We have audited the balance sheet of Queens Quay West Land Corporation as at March 31, 1995 and the statements of operations, contributed capital and deficit and changes in financial position for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 1995 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles. As required by the *Financial Administration Act*, we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in our opinion, the transactions of the Corporation that have come to our notice during our audit of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Canada Business Corporations Act*, the articles and by-laws of the Corporation and the Management Agreement with Canada.

KPMG Peat Marwick Thorne
Chartered Accountants

Toronto, Canada
May 8, 1995

Wm. F. Radburn, FCA
Assistant Auditor General
for the Auditor General of Canada

Ottawa, Canada

BALANCE SHEET
AS AT MARCH 31

ASSETS	1995	1994
	$	$
Current assets:		
Cash and short-term investments	5,791,528	6,177,356
Receivables and other assets	300,964	1,078,224
	6,092,492	7,255,580
Non-current assets:		
Deferred development costs (Note 2)	2,391,660	6,045,310
Capital assets (Note 5)	13,506	32,335
Receivable from developers (Note 2)		10,130,960
	2,405,166	16,208,605
	8,497,658	23,464,185

LIABILITIES AND SHAREHOLDER'S EQUITY (DEFICIENCY)	1995	1994
	$	$
Current liabilities:		
Accounts payable and accrued liabilities	2,582,582	3,676,683
Loans from Canada (Note 6)	45,800,000	45,800,000
Shareholder's equity (deficiency):		
Share capital (Note 7)	1	1
Contributed capital	1,000,000	
Deficit	(40,884,925)	(26,012,499)
	(39,884,924)	(26,012,498)
Contingencies (Note 3)		
	8,497,658	23,464,185

See accompanying notes to financial statements.

On behalf of the Board:

BRIAN J. VEINOT
Director

ANNE S. MORASH
Director

QUEENS QUAY WEST LAND CORPORATION—*Continued*

STATEMENT OF OPERATIONS
FOR THE YEARS ENDED MARCH 31

	1995	1994
	$	$
Corporate and Commercial Operations:		
Revenues:		
Parking income	1,742,207	1,987,309
Commercial and other income	1,505,925	1,688,580
Other interest	363,676	91,317
Interest on receivable from developers		57,120
	3,611,808	3,824,326
Expenses:		
Commercial management	2,311,687	2,649,245
Corporate administration	343,271	413,857
Realty taxes		(2,083,199)
Interest on loans from Canada (Note 6)		2,588,653
	2,654,958	3,568,556
Net corporate and commercial income	956,850	255,770
Development Operations (Note 2):		
Land conveyances	13,579,541	8,164,400
Period development costs	2,249,735	313,500
Net development expense	15,829,276	8,477,900
Net loss for the year	(14,872,426)	(8,222,130)

See accompanying notes to financial statements.

STATEMENT OF CONTRIBUTED CAPITAL
AND DEFICIT
AS AT MARCH 31

	1995	1994
	$	$
Contributed capital:		
Balance, beginning of year		6,755,151
Parliamentary appropriations from Canada:		
Operating subsidy for Harbourfront Centre	8,800,000	
Capital contribution	1,000,000	
Contributions to Harbourfront Centre (Note 8):		
Operating	(8,800,000)	(5,505,151)
Capital		(1,250,000)
Balance, end of year	1,000,000	
Deficit:		
Balance, beginning of year	(26,012,499)	(15,295,520)
Net loss for the year	(14,872,426)	(8,222,130)
Balance of operating contributions to Harbourfront Centre (Note 8)		(2,494,849)
Balance, end of year	(40,884,925)	(26,012,499)

See accompanying notes to financial statements.

STATEMENT OF CHANGES
IN FINANCIAL POSITION
FOR THE YEARS ENDED MARCH 31

	1995	1994
	$	$
Operating activities:		
Net loss for the year	(14,872,426)	(8,222,130)
Amortization	18,829	59,547
Deferred development costs	3,653,650	2,697,741
Receivable from developers	10,130,960	2,954,919
	(1,068,987)	(2,509,923)
Receivables and other assets	777,260	(103,377)
Accounts payable and accrued liabilities	(1,094,101)	(3,368,481)
	(1,385,828)	(5,981,781)
Investing activities:		
Investment in capital assets		(8,263)
Queens Quay West Land Corporation Capital Account:		
Deposits		(150,000)
Withdrawals		302,092
		143,829
Financing and capital activities:		
Parliamentary appropriations from Canada	9,800,000	
Contributions to Harbourfront Centre	(8,800,000)	(9,250,000)
Loans from Canada		20,700,000
	1,000,000	11,450,000
Increase (decrease) in cash	(385,828)	5,612,048
Cash and short-term deposits, beginning of year	6,177,356	565,308
Cash and short-term deposits, end of year	5,791,528	6,177,356

See accompanying notes to financial statements.

QUEENS QUAY WEST LAND CORPORATION—*Continued*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1995

1. The Corporation:

Queens Quay West Land Corporation (the "Corporation") continued under the *Canada Business Corporations Act* December 21, 1984, is a Crown corporation listed under Part I of Schedule III of the *Financial Administration Act.* The share capital of the Corporation is held by Her Majesty the Queen in Right of Canada ("Canada") as represented by the Minister Designate of Public Works and Government Services. Legislation dealing with the sale of the Corporation's assets and the subsequent dissolution of the Corporation received royal assent in November, 1991. The Corporation is exempt from corporate income tax.

The Corporation operates under a Management Agreement with Canada. Title to the Harbourfront site (the "Site") which totals approximately 100 acres is held by Canada with the exception of parkland and public infrastructure conveyed to municipal governments, lands conveyed to developers and certain lands transferred to the Corporation by Canada.

The Corporation's mandate is to ensure the disposition of the Corporation's remaining assets, including its real estate assets, in an orderly fashion and to fulfill all its obligations with a view to dissolving the Corporation by June 30, 1995. The Corporation has been pursuing an orderly transition to transfer all remaining assets, liabilities, obligations and operations to Canada Lands Company Limited on June 30, 1995.

Agreements with Canada permit the sale or conveyance by the Corporation of certain remaining real estate assets with the proceeds to be used to assist the Corporation in discharging its obligations. The Corporation has received significant financial support from Canada and continues to be dependent on Canada to ensure that the Corporation's obligations and commitments are met as they come due.

In addition to the related party transactions disclosed elsewhere in these financial statements, the Corporation enters into transactions with Canada and other Crown corporations in the normal course of business.

2. Development operations:

In fulfilling its mandate, the Corporation has executed agreements with developers, entailing renegotiation of certain existing contracts, and with various levels of government and other parties to provide for:

the relocation of three contemplated development projects from the south side of Queens Quay West in exchange for i) rights to certain commercial and residential developments on the north side fo Queens Quay West and ii) the forgiveness of certain obligations. Land conveyances amount consists primarily of forgiveness of certain obligations from developers and deferred development charges;

the conveyance of these south side properties as well as other properties to the City of Toronto ("City") as parkland and public space; and

the allocation of zoning rights to residual Harbourfront properties for ultimate sale by the Corporation to third parties.

3. Contingencies:

As a result of agreements entered into by the Corporation providing for land conveyances and exchanges, the Corporation is contractually obligated for certain contingent liabilities concerning capital projects, payments to the City for parks development, road costs, environmental costs and other indemnities. The Corporation has estimated that these contingent liabilities are expected to total no more that $15.9 million in respect of the agreement with the City and $4.1 million in respect of other agreements with developers. In addition, deferred development costs as described in Note 4(b) will be charged to the Statement of Operations when title is passed.

4. Accounting policies:

These financial statements have been prepared in accordance with accounting principles generally accepted in Canada. The significant accounting policies of the Corporation are as follows:

(a) Revenue recognition:

Revenues from commercial activities are recognized as the related services are provided.

(b) Deferred and period development costs:

All development proceeds and costs directly attributable to a project are deferred until approval of the related development agreement is received from Canada or the project is transferred to a third party. Costs related to parkland and public infrastructure expected to be conveyed are deferred until title is passed to the appropriate local or regional governments.

Until 1994, deferred development proceeds, net of the related deferred development, parkland and public infrastructure costs no longer being deferred, were subsequently recorded in contributed capital. All other development and public infrastructure costs were charged to contributed capital as incurred.

With the reduction to zero of the contributed capital account in 1994, any costs related to development activities, parkland and public infrastructure are recorded in the Statement of Operations.

(c) Contributions to Harbourfront Centre:

Operating and capital contributions to Harbourfront Centre, made at the request of Canada in its capacity as shareholder, are charged to contributed capital.

In 1994, contributions to Harbourfront Centre in excess of the balance in the contributed capital account, were charged against the Corporation's deficit.

(d) Parliamentary appropriations:

Parliamentary appropriations, made from time to time by Canada in its capacity as shareholder, are recorded as contributed capital.

QUEENS QUAY WEST LAND CORPORATION—*Concluded*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1995—*Concluded*

(e) Capital assets:

Capital assets are recorded at cost. Amortization is calculated on the straight-line basis over the estimated useful life of each asset. Transfers of land to the Corporation from Canada, required to facilitate certain development agreements, are recorded at a nominal cost.

5. Capital assets:

	1995	1994
	$	$
Land and buildings	1	1
Equipment	646,154	657,429
	646,155	657,430
Less: accumulated amortization	632,649	625,095
	13,506	32,335

6. Loans from Canada:

Effective April 1, 1994, the loans from Canada became non-interest bearing and are due and payable on March 31, 2004. Prior to April 1, 1994, the Corporation borrowed from the Consolidated Revenue Fund under certain terms and conditions to fund its operations and its financial contributions to Harbourfront Centre. Interest was paid on loans from Canada to March 31, 1994 at interest rates varying from 4.56 percent to 10.46 percent.

Upon the disposition of any real property, the Corporation must use the net proceeds realized to repay the loans to the extent possible. Each loan is secured by a debenture of the Corporation in favour of the Receiver General of Canada. The Corporation may prepay the loan principal at any time without penalty upon fourteen days' prior notice.

7. Share capital:

The authorized share capital of the Corporation consists of 500,000 (1994—500,000) common shares without par value of which 215,500 (1994—215,500) shares are issued and fully paid for consideration of $1 (1994—$1).

8. Contributions to Harbourfront Centre:

Operating contributions ($8,800,000; 1994—$8,000,000) and capital contributions ($0; 1994—$1,250,000) to Harbourfront Centre totaling $8,800,000 (1994—$9,250,000) have been accounted for as charges to Contributed Capital of $8,800,000 (1994—$6,755,151) and to Deficit of $0 (1994—$2,494,849).

9. Litigation:

The Corporation is a defendant in a lawsuit. In the opinion of management, this action will not have a material adverse effect on the financial position of the Corporation.

ROYAL CANADIAN MINT

MANAGEMENT REPORT

The financial statements contained in this annual report have been prepared by Management in accordance with generally accepted accounting principles in Canada and the integrity and objectivity of the data in these financial statements are Management's responsibility. Management is also responsible for all other information in the annual report and for ensuring that this information is consistent, where appropriate, with the information and data contained in the financial statements.

In support of its responsibility, Management has developed and maintains books of account, records, financial and management controls, information systems and management practices. These are designed to provide reasonable assurance as to the reliability of financial information, that assets are safeguarded and controlled, and that transactions are in accordance with the *Financial Administration Act* and regulations as well as the *Royal Canadian Mint Act* and by-laws of the corporation.

The Board of Directors is responsible for ensuring that Management fulfills its responsibilities for financial reporting and internal control. The Board exercises its responsibilities through the Audit Committee which includes a majority of members who are not officers of the corporation. The Committee meets with Management, internal audit staff and the independent external auditor to review the manner in which these groups are performing their responsibilities and to discuss auditing, internal controls and other relevant financial matters. The Audit Committee has reviewed the financial statements with the external auditor and has submitted its report to the Board of Directors. The Board of Directors has reviewed and approved the financial statements.

The corporation's external auditor, the Auditor General of Canada, audits the financial statements and reports to the Minister responsible for the Royal Canadian Mint.

Danielle V. Wetherup
President and Master of the Mint

J. E. Uberig
Vice-President, Administration and Finance

AUDITOR'S REPORT

TO THE MINISTER OF SUPPLY AND SERVICES

I have audited the balance sheet of the Royal Canadian Mint as at December 31, 1994 and the statements of operations and retained earnings and changes in financial position for the year then ended. These financial statements are the responsibility of the corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the corporation as at December 31, 1994 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles. As required by the *Financial Administration Act*, I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the corporation that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Royal Canadian Mint Act* and by-laws of the corporation.

L. Denis Desautels, FCA
Auditor General of Canada

Ottawa, Canada
March 3, 1995

ROYAL CANADIAN MINT—*Continued*

BALANCE SHEET AS AT DECEMBER 31, 1994
(in thousands of dollars)

ASSETS	1994	1993
Current		
Cash and short-term investments	8,631	22,929
Accounts receivable	7,275	3,710
Prepaid expenses	418	897
Inventories (Note 3)	21,368	19,991
	37,692	47,527
Capital assets (Note 4)	44,758	45,234
	82,450	92,761

LIABILITIES	1994	1993
Current		
Accounts payable	13,098	10,640
Current portion of loans from Canada (Note 5)	2,673	2,673
Deferred revenues	188	1,455
	15,959	14,768
Long-term		
Loans from Canada (Note 5)	174	2,848
Provision for employee termination benefits	5,701	6,054
	5,875	8,902
SHAREHOLDER'S EQUITY		
Share capital	40,000	40,000
(authorized and issued, 4,000 non-transferable shares)		
Retained earnings	20,616	29,091
	60,616	69,091
	82,450	92,761

Approved by Management:

DANIELLE V. WETHERUP
President and Master of the Mint

J. E. UBERIG
Vice-President, Administration and Finance

Approved by the Board of Directors:

J. C. CORKERY
Chairman

ROYAL CANADIAN MINT—*Continued*

STATEMENT OF OPERATIONS AND RETAINED EARNINGS
FOR THE YEAR ENDED DECEMBER 31, 1994
(in thousands of dollars)

	1994	1993
Revenues	309,557	355,538
Cost of goods sold	283,703	312,763
Gross Profit	25,854	42,775
Other expenses		
Marketing	17,102	22,830
Administration	9,643	10,532
Depreciation	2,924	2,820
	29,669	36,182
Income (loss) from operations	(3,815)	6,593
Interest income	838	1,256
Interest expense on loans from Canada	(375)	(663)
Income (loss) before income tax	(3,352)	7,186
Income tax (Note 6)	123	133
Net income (loss)	(3,475)	7,053
Retained earnings, beginning of year	29,091	28,338
Dividend	(5,000)	(6,300)
Retained earnings, end of year	20,616	29,091

STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED DECEMBER 31, 1994
(in thousands of dollars)

	1994	1993
Operating activities		
Net income (loss)	(3,475)	7,053
Item not affecting funds:		
Depreciation	2,924	2,820
	(551)	9,873
Net change in non-cash working capital	(3,272)	11,044
Decrease in provision for employee termination benefits	(353)	(14)
	(4,176)	20,903
Investing activities		
Additions to capital assets	(2,448)	(2,413)
Financing activities		
Repayment of loans from Canada	(2,674)	(2,673)
Dividend	(5,000)	(6,300)
	(7,674)	(8,973)
Increase (decrease) in cash	(14,298)	9,517
Cash and short-term investments, beginning of year	22,929	13,412
Cash and short-term investments, end of year	8,631	22,929

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1994

1. Authority and objectives

The Mint was incorporated in 1969 by the *Royal Canadian Mint Act* and is an agent corporation of Her Majesty named in Part II of Schedule III to the *Financial Administration Act*. The objectives of the Mint are to mint coins in anticipation of profit and to carry out other related activities.

The Mint may borrow money from the Consolidated Revenue Fund or any other source, subject to the approval of the Minister of Finance with respect to the time and the terms and conditions, but the aggregate of the amounts loaned to the Mint and outstanding at any time shall not exceed $50 million.

2. Significant accounting policies

(a) Inventories

Raw materials and supplies are valued at the lower of cost and replacement cost, cost being determined by the average cost method. Work in process and finished goods are valued at the lower of cost and net realizable value, cost being determined by the average cost method.

(b) Capital assets

Capital assets are recorded at cost and depreciated under the straight-line method at the following annual rates:

Land improvements	2½%
Buildings	2½%
Equipment	10%

(c) Deferred revenues

Payments received in advance on sales are not recognized as revenue until the products are shipped.

(d) Employee termination benefits

Employees are entitled to specific termination benefits as provided under their collective agreement and terms of employment. The liability for these benefits is charged to income as benefits accrue to the employees.

(e) Pension plan

Employees participate in the Public Service Superannuation Plan administered by the Government of Canada. The corporation's contributions to the Plan are limited to an amount equal to the employees' contributions on account of current services and are charged to operations on a current basis. The corporation is not required to make contributions with respect to actuarial deficiencies of the Public Service Superannuation Account.

3. Inventories

	1994	1993
	(in thousands of dollars)	
Raw materials	9,569	4,219
Work in process	4,765	5,253
Finished goods	3,508	7,241
Supplies	3,526	3,278
	21,368	19,991

ROYAL CANADIAN MINT—*Concluded*

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1994—*Concluded*

In order to facilitate the production of precious metal coins, the Mint borrows the quantity of gold, platinum and silver required and pays interest based on the value of these metals established on the commodity markets. As at December 31, 1994, 414,982 ounces of gold, 408,985 ounces of silver and 21,549 ounces of platinum were borrowed and are not reflected in these statements.

4. Capital assets

	1994			1993
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
		(in thousands of dollars)		
Land	3,226		3,226	3,226
Land improvements	914	627	287	301
Buildings	44,073	13,615	30,458	31,442
Equipment	37,647	26,860	10,787	10,265
	85,860	41,102	44,758	45,234

5. Loans from Canada

These loans bear interest at various annual rates ranging from 8.25% to 12.00% and are repayable in annual instalments of $2,673,065 in 1995, $76,115 in 1996 and 1997 and $22,265 in 1998.

6. Income tax

The corporation's 1994 income tax relates solely to the large corporations tax. During 1994 the corporation has incurred a loss for tax purposes of approximately $4.1 million, the benefits of which have not been recognized, and which are available to reduce taxes payable for years up to 2001. The corporation's expected income tax rate is the net federal statutory rate (including surtax) of 38.8% less the manufacturing and processing deduction of 7%. The 1993 effective tax rate is zero, exclusive of the large corporations tax, due to the utilization by the corporation of differences between the tax and accounting values of the assets at the date it became subject to income tax. The differences, which are available to reduce future years' taxable income, amount to approximately $27.8 million (1993—$27.8 million). The corporation is not subject to provincial income taxes.

7. Related party transactions

Transactions with the Department of Finance related to the borrowing, refining and purchasing of gold were conducted in the normal course of business, under the same terms and conditions that apply to unrelated parties. Transactions with the Department of Finance related to the production and delivery of Canadian circulation coins are generally carried out on a cost plus basis.

8. Contingency

In 1992, the Mint established an arrangement with the Department of Finance to provide holders of Canadian numismatic coins with a facility to exchange them at their face value. Losses under this arrangement are determined by the difference between the face value of coins received by the Mint and the net value of metals recovered and are shared equally between the Mint and the Department of Finance. To date the number of coins submitted under this exchange arrangement is not significant. Future losses, if any, will be accounted for in the year the coins are received.

SAINT JOHN PORT CORPORATION

AUDITORS' REPORT

TO THE HONOURABLE DOUGLAS YOUNG, P.C., M.P.
MINISTER OF TRANSPORT

We have audited the balance sheet of the Saint John Port Corporation as at December 31, 1994 and the statements of income and deficit and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 1994 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Further, in our opinion, the transactions of the Corporation that have come to our notice during our examination of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Canada Ports Corporation Act* and the by-laws of the Corporation.

Ernst & Young
Chartered Accountants

Saint John, Canada
February 10, 1995

BALANCE SHEET AS AT DECEMBER 31, 1994
(in thousands of dollars)

ASSETS	1994	1993
Current		
Cash	105	157
Investments (Note 3)	2,049	1,098
Accounts receivable	768	759
Materials and supplies		8
	2,922	2,022
Long-term		
Long-term investments (Note 3)	976	973
Fixed assets (Note 4)	60,185	81,525
	61,161	82,498
Total assets	64,083	84,520

LIABILITIES AND EQUITY OF CANADA	1994	1993
Current		
Accounts payable and accrued charges	701	1,349
Deferred revenues	264	288
Grants in lieu of municipal taxes	1,053	447
	2,018	2,084
Long-term		
Loans from Canada (Note 5)	18,052	18,052
Financing provided by a province (Note 6)	19,696	19,696
Accrued employee benefits	458	445
	38,206	38,193
	40,224	40,277
EQUITY OF CANADA		
Contributed capital	44,462	44,462
Deficit	20,603	219
	23,859	44,243
Total liabilities and equity of Canada	64,083	84,520

See accompanying notes.

On behalf of the Board:

HARRY P. GAUNCE
Chairman of the Board

KENNETH R. KRAUTER
General Manager and Chief Executive Officer

SAINT JOHN PORT CORPORATION—*Continued*

STATEMENT OF INCOME AND DEFICIT
FOR THE YEAR ENDED DECEMBER 31, 1994
(in thousands of dollars)

	1994	1993
Revenues from operations	12,184	11,585
Expenses		
Operating and administrative	8,003	7,827
Depreciation	1,590	2,716
Grants in lieu of municipal taxes	606	577
Loss (gain) on disposal of fixed assets	(3)	278
	10,196	11,398
Income from operations	1,988	187
Investment income	305	383
Interest expense	(2,125)	(2,271)
	(1,820)	(1,888)
Income (loss) before reduction in carrying value of fixed assets	168	(1,701)
Reduction in carrying value of fixed assets (Note 7)	(20,552)	
Loss	(20,384)	(1,701)
Retained earnings (deficit), beginning of year	(219)	1,482
Deficit, end of year	(20,603)	(219)

See accompanying notes.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 1994
(in thousands of dollars)

	1994	1993
Cash provided by (used in)		
Operations		
Net loss	(20,384)	(1,701)
Add items not requiring a cash payment		
Depreciation	1,590	2,716
Loss (gain) on disposal of fixed assets	(3)	278
Other	13	(23)
Reduction in carrying value of fixed assets (Note 7)	20,552	
	1,768	1,270
Net change in non-cash working capital balances (Note 8)	(67)	226
	1,701	1,496
Financing		
Capital grants		315
Repayment of loan to Canada		(2,000)
		(1,685)
Investing		
Additions to fixed assets	(802)	(2,752)
Long-term investments	(3)	
Proceeds on disposal of fixed assets	3	13
	(802)	(2,739)
Increase (decrease) in cash	899	(2,928)
Cash position, beginning of year	1,255	4,183
Cash position, end of year	2,154	1,255

Cash position consists of cash and short-term investments.
See accompanying notes.

SAINT JOHN PORT CORPORATION—*Continued*

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1994

1. *CANADA PORTS CORPORATION ACT* AND INCORPORATION

In accordance with the *Canada Ports Corporation Act*, a petition for the establishment of a local port corporation at the Port of Saint John was approved and the Saint John Port Corporation was incorporated under the laws of Canada effective at the closing of business on December 31, 1986 and commenced operations January 1, 1987.

In accordance with the *Canada Ports Corporation Act*, the assets, liabilities and equity were transferred to the Saint John Port Corporation at their carrying values in the accounts of the Canada Ports Corporation—Port of Saint John.

2. SIGNIFICANT ACCOUNTING POLICIES

Investments

The investments are shown at amortized cost whereby premiums or discounts from par value are amortized over the periods to maturity.

Fixed assets

Fixed assets are recorded at cost except for those transferred to the Corporation from Canada which are recorded at appraised or fair market value established at the time of transfer. Grants towards capital projects received from Canada and from third parties are deducted from the cost of the related fixed assets.

Depreciation is calculated on the straight-line basis for the full year, commencing with the year the asset becomes operational using rates as follows:

Asset	Depreciation Rates %
Dredging	2.5-6.7
Berthing structures	2.5-10.0
Buildings	2.5-10.0
Utilities	3.3-10.0
Roads and surfaces	2.5-10.0
Machinery and equipment	5.0-100.0
Office furniture and equipment	20.0

Pension costs

All permanent employees of the Corporation are covered by the Public Service Superannuation Plan administered by Canada. Contributions to the plan are required from both the employees and the Corporation. The annual contributions represent the liability of the Corporation for pensions and are recognized in the accounts on a current basis.

Grants in lieu of municipal taxes

The expense for grants in lieu of municipal taxes is based on estimated municipal assessments adjusted in accordance with the *Municipal Grants Act*. Any adjustments upon finalization are reflected in the accounts in the year of settlement.

Employee benefits

The Corporation accrues in its accounts, annually, the estimated liabilities for severance pay and annual leave which are payable to its employees in subsequent years under its collective agreements or in accordance with its policy.

3. INVESTMENTS

Investments are direct and guaranteed securities of Canada as follows:

	1994		1993	
	Amortized cost	Face value	Amortized cost	Face value
	(in thousands of dollars)			
Canada Treasury Bills	2,049	2,062	1,098	1,100
Canada Bonds	976	1,000	973	1,000

4. FIXED ASSETS

	1994		1993	
	Cost	Accumulated depreciation	Cost	Accumulated depreciation
	(in thousands of dollars)			
Land	31,755		31,715	
Dredging	1,739	1,585	2,115	1,581
Berthing structures	49,060	35,340	66,327	34,711
Buildings	15,945	6,528	16,496	6,201
Utilities	7,366	5,096	8,517	4,936
Roads and surfaces	7,751	5,408	7,445	5,095
Machinery and equipment	895	561	995	558
Office furniture and equipment	1,248	1,081	1,391	1,236
Work under construction	25		842	
	115,784	55,599	135,843	54,318
Accumulated depreciation	55,599		54,318	
Net book value	60,185		81,525	

5. LOANS FROM CANADA

	1994	1993
	(in thousands of dollars)	
Term loans bearing interest at 11.0% to 12.43% maturing between December 31, 1998 and 2005	18,052	18,052

6. FINANCING PROVIDED BY A PROVINCE

The Province of New Brunswick advanced $25,000,000 to partially finance the construction of Rodney Terminal Complex, Saint John. The Province will receive annual principal payments equal to approximately 47% of the net operating income of the terminal until the non-interest bearing advance is repaid. The cost of major repairs has been included in calculating the net operating income of the terminal and the current portion payable as at December 31, 1994 has been calculated accordingly. The Province is disputing this accounting treatment. Had net operating income not been reduced by the cost of these major repairs, there would currently be an overpayment to the Province of approximately $189,000.

SAINT JOHN PORT CORPORATION—*Concluded*

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1994—*Concluded*

7. REDUCTION IN CARRYING VALUE OF FIXED ASSETS

During the year the Corporation reviewed the carrying value of all its terminal facilities. On an individual basis the carrying value of each terminal was compared to its net recoverable amount. For those terminals where the carrying value was in excess of the net recoverable amount, the carrying value was adjusted to the higher of the net recoverable amount or the fair market value of the residual land. As a result of the reduction in carrying value of fixed assets, depreciation expense recorded in the year was $1,138,000 less than if the reduction in carrying value had not occurred.

8. NET CHANGE IN NON-CASH WORKING CAPITAL BALANCES

	1994	1993
	(in thousands of dollars)	
Decrease (increase) in current assets		
Accounts receivable	(9)	326
Materials and supplies	8	10
	(1)	336
Increase (decrease) in current liabilities		
Accounts payable and accrued charges	(648)	(431)
Deferred revenues	(24)	(57)
Grants in lieu of municipal taxes	606	378
	(66)	(110)
	(67)	226

9. RELATED PARTY TRANSACTIONS

During the year the Corporation paid $813,341 (1993—$747,465) to Canada Ports Corporation as its share of that Corporation's head office expense.

During the year the Corporation also paid $825,225 (1993—$796,960) to Canada Ports Corporation for the provision of protective services.

10. COMPARATIVE AMOUNTS

Certain of the comparative amounts have been reclassified to conform to the statement presentation adopted for the current year.

ST. JOHN'S PORT CORPORATION

AUDITORS' REPORT

TO THE HONOURABLE DOUGLAS YOUNG, P.C., M.P.
MINISTER OF TRANSPORT

We have audited the balance sheet of St. John's Port Corporation as at December 31, 1994 and the statements of earnings and surplus and changes in financial position for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 1994 and the results of its operations and changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Further, in our opinion, the transactions of the Corporation that have come to our notice during our examination of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and Regulations, the *Canada Ports Corporation Act* and the bylaws of the Corporation.

Doane Raymond
Chartered Accountants

St. John's, Canada
January 30, 1995

BALANCE SHEET AS AT DECEMBER 31, 1994

ASSETS	1994	1993
	$	$
Current		
Cash	62,435	14,407
Investments (Note 3)	3,180,176	2,297,531
Accounts receivable	567,510	487,756
	3,810,121	2,799,694
Fixed (Note 4)	12,732,859	13,457,811
	16,542,980	16,257,505

LIABILITIES	1994	1993
	$	$
Current		
Accounts payable and accrued liabilities	226,691	265,281
Grants in lieu of municipal taxes	291,726	197,093
Deferred revenues	138,913	296,936
	657,330	759,310
Accrued employee benefits	145,419	128,717
	802,749	888,027
EQUITY OF CANADA		
Contributed capital	10,131,636	10,131,636
Surplus	5,608,595	5,237,842
	15,740,231	15,369,478
	16,542,980	16,257,505

Contingencies (Note 6)
See accompanying notes.

On behalf of the Board:

MELVIN WOODWARD
Chairman of the Board

DAVID J. FOX, P. Eng.
Port Manager and Chief Executive Officer

ST. JOHN'S PORT CORPORATION—*Continued*

STATEMENTS OF EARNINGS AND SURPLUS
FOR THE YEAR ENDED DECEMBER 31, 1994

	1994	1993
	$	$
Revenue from operations	3,173,748	3,287,036
Operating and administrative expenses	1,966,629	1,910,282
Depreciation	917,028	879,549
Grants in lieu of municipal taxes	70,838	73,108
	2,954,495	2,862,939
Earnings from operations	219,253	424,097
Investment income	151,904	102,928
Interest expense		(22,984)
Net earnings	371,157	504,041
Surplus, beginning of year	5,237,842	4,749,260
Net earnings	371,157	504,041
Dividend to Canada	(404)	(15,459)
Surplus, end of year	5,608,595	5,237,842

See accompanying notes.

STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED DECEMBER 31, 1994

	1994	1993
	$	$
Cash derived from (applied to)		
Operating		
Net earnings	371,157	504,041
Depreciation	917,028	879,549
Other non-cash items	16,702	13,818
	1,304,887	1,397,408
Change in non-cash operating working capital (Note 5)	(97,674)	11,666
	1,207,213	1,409,074
Financing		
Change in construction payables	(84,060)	39,948
Loans from Canada		(986,242)
	(84,060)	(946,294)
Investing		
Purchase of fixed assets	(200,177)	(224,087)
Disposal of fixed assets	8,101	350
	(192,076)	(223,737)
Dividend to Canada	(404)	(15,459)
Net increase in cash	930,673	223,584
Cash and short term investments		
Beginning of year	2,311,938	2,088,354
End of year	3,242,611	2,311,938

See accompanying notes.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1994

1. LOCAL PORT CORPORATION

In accordance with the *Canada Ports Corporation Act*, a petition for the establishment of a local port corporation at the Port of St. John's was approved and the St. John's Port Corporation was established effective June 1, 1985.

In accordance with the *Canada Ports Corporation Act*, the assets, liabilities and equity were transferred at their carrying values in the accounts of the Canada Ports Corporation—Port of St. John's to the St. John's Port Corporation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments

The investments, which are direct and guaranteed securities of Canada, are shown at amortized cost. Premiums or discounts are amortized over the periods to maturity.

Fixed assets

Fixed assets are recorded at cost, except for those transferred to the Corporation from Canada, which are recorded at appraised or fair market value established at the time of transfer. Grants towards capital projects received from Canada and from third parties are deducted from the cost of the related fixed assets.

Depreciation

Depreciation is recorded on the straight-line basis for the full year, commencing with the year the asset becomes operational, using rates as follows:

Berthing structures	2.5-10%
Buildings	2.5-10%
Utilities	3.3-10%
Roads and surfaces	2.5-10%
Machinery and equipment	5-100%
Office furniture and equipment	20-33.3%

Pension costs

All permanent employees of the Corporation are covered by the Public Service Superannuation Plan administered by Canada. Contributions to the plan are required from both the employees and the Corporation. The annual contributions for pensions are recognized in the accounts on a current basis.

Grants in lieu of municipal taxes

The expense for grants in lieu of municipal taxes is based on estimated municipal assessments adjusted in accordance with the *Municipal Grants Act*. Grants are paid after the amounts have been audited by the Municipal Grants Division of Public Works and Government Services Canada. Any adjustments upon finalization are reflected in the accounts in the year of settlement.

Employee benefits

The Corporation accrues in its accounts, annually, the estimated liabilities for severance pay, annual leave and overtime compensatory leave, which are payable to its employees in subsequent years in accordance with its policy.

ST. JOHN'S PORT CORPORATION—*Concluded*

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1994—*Concluded*

3. INVESTMENTS

	1994		1993	
	Amortized cost	Face amount	Amortized cost	Face amount
	$	$	$	$
Short term	3,180,176	3,296,000	2,297,531	2,336,700

4. FIXED ASSETS

	1994			1993
	Cost	Accumulated depreciation	Net book value	Net book value
	$	$	$	$
Land	4,736,134		4,736,134	4,735,248
Berthing structures	11,009,620	7,016,407	3,993,213	4,223,583
Buildings	1,929,812	1,512,283	417,529	452,941
Utilities	3,501,360	1,520,546	1,980,814	1,977,350
Roads and surfaces	4,019,840	2,655,699	1,364,141	1,681,887
Machinery and equipment	358,942	177,053	181,889	201,207
Office furniture and equipment	281,668	254,527	27,141	73,549
Projects under construction	31,998		31,998	112,046
	25,869,374	13,136,515	12,732,859	13,457,811

5. CHANGE IN NON-CASH OPERATING WORKING CAPITAL

	1994	1993
	$	$
Accounts receivable	(79,754)	230,027
Accounts payable and accrued liabilities	45,470	(4,013)
Grants in lieu of municipal taxes	94,633	(37,101)
Deferred revenues	(158,023)	(80,187)
Current portion of loan from Canada		(97,060)
	(97,674)	11,666

6. CONTINGENT LIABILITIES

Claims aggregating approximately $364,000 arising from alleged damages suffered on the Corporation's property have been received by the Corporation. The Corporation is a third party defendant, and has denied any liability, and no material loss is anticipated.

7. RELATED PARTY TRANSACTIONS

During the year the Corporation paid $248,059 (1993—$232,008) and $224,501 (1993—$224,202) to Canada Ports Corporation as its share of that Corporation's head office expense and police services respectively.

THE ST. LAWRENCE SEAWAY AUTHORITY

MANAGEMENT'S REPORT

The accompanying financial statements of The St. Lawrence Seaway Authority an all information in this Annual Report are the responsibility of management.

The financial statements have been prepared in accordance with generally accepted accounting principles and necessarily include some estimates which are based on management's best judgements. Information contained elsewhere in the Annual Report is consistent, where applicable, with that contained in the financial statements.

To meet management's responsibility and to assure the integrity and reliability of financial reporting, the Authority maintains a system of internal controls, policies and procedures to provide reasonable assurance that assets are safeguarded, and that transactions and events are properly recorded.

The system of internal control is supplemented by an internal audit which conducts periodic reviews of different aspects of the Corporation's operations. In addition, external auditors have full and free access to the members of the Authority, who oversee management's responsibility for maintaining adequate control systems and the quality of financial reporting.

The Auditor General of Canada is responsible for auditing the financial statements and for issuing his report thereon.

Carol Lemelin
Comptroller and Treasurer

Cornwall, Canada

AUDITOR'S REPORT

TO THE MINISTER OF TRANSPORT

I have audited the balance sheet of The St. Lawrence Seaway Authority as at March 31, 1995 and the statements of operations, deficit and changes in financial position for the year then ended. These financial statements are the responsibility of the Authority's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Authority as at March 31, 1995 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles. As required by the *Financial Administration Act*, I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Authority that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *St. Lawrence Seaway Authority Act* and regulations, and the by-laws of the Authority.

D. Larry Meyers, FCA
Deputy Auditor General
for the Auditor General of Canada

Ottawa, Canada
May 4, 1995, except for Note 14 for which the date is
June 2, 1995

THE ST. LAWRENCE SEAWAY AUTHORITY—*Continued*

BALANCE SHEET AS AT MARCH 31, 1995
(in thousands of dollars)

ASSETS	1995	1994
		(Restated Note 13)
Current		
Cash and term deposits	21,322	22,120
Accounts receivable	6,320	5,693
Accrued interest receivable	906	1,004
Supplies inventory	2,531	2,439
	31,079	31,256
Long-term		
Investments (Note 3)	49,300	27,846
Mortgages and other receivables (Note 4)	2,091	341
Investment in wholly-owned Crown Corporations (Note 5)	10	10
Capital assets (Note 6)	510,452	517,439
	592,932	576,892

LIABILITIES	1995	1994
		(Restated Note 13)
Current		
Accounts payable and accrued liabilities	9,482	10,996
Large Corporations Tax payable (receivable) (Note 8)	(8)	552
	9,474	11,548
Long-term		
Accrued employee termination benefits (Note 3)	12,850	12,148
	22,324	23,696
Commitments and contingencies (Notes 9 and 10)		
Major restoration of the Seaway (Note 11)		
Future outlook of the St. Lawrence Seaway system (Note 14)		
EQUITY OF CANADA		
Contributed capital (Note 7)	624,950	624,950
Deficit	(54,342)	(71,754)
	570,608	553,196
	592,932	576,892

Approved:

G.R. STEWART
President

C. LEMELIN
Comptroller and Treasurer

THE ST. LAWRENCE SEAWAY AUTHORITY—*Continued*

STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 1995
(in thousands of dollars)

	1995					1994
	Montreal/ Lake Ontario Section	Welland Section	Total Seaway	Thousand Islands Bridge	Total	Total
Revenues						
Tolls	37,479	38,547	76,026		76,026	59,260
Leases and licenses	874	4,722	5,596	937	6,533	7,298
Others	1,000	1,325	2,325	1,249	3,574	5,318
	39,353	44,594	83,947	2,186	86,133	71,876
Expenses						
Operations, Maintenance and Engineering	19,182	25,328	44,510	571	45,081	49,754
Administration	2,639	3,654	6,293	114	6,407	6,445
Headquarters	3,298	4,294	7,592	87	7,679	8,409
Amortization	6,601	7,970	14,571	206	14,777	12,837
Employee termination benefits	448	637	1,085		1,085	1,129
	32,168	41,883	74,051	978	75,029	78,574
Income (loss) from operations	7,185	2,711	9,896	1,208	11,104	(6,698)
Investment income	1,616	2,104	3,720	750	4,470	4,525
Final settlement of claim (Note 12)	2,750		2,750		2,750	
Income (loss) before Large Corporations Tax	11,551	4,815	16,366	1,958	18,324	(2,173)
Large Corporations Tax	380	495	875	37	912	1,832
Net income (loss) for the year	11,171	4,320	15,491	1,921	17,412	(4,005)

STATEMENT OF DEFICIT
FOR THE YEAR ENDED MARCH 31, 1995
(in thousands of dollars)

	1995			1994
	Seaway	Thousand Islands Bridge	Total	(Restated Note 13) Total
Retained earnings (deficit), as restated (Note 13)	(88,572)	16,818	(71,754)	(67,749)
Net income (loss) for the year	15,491	1,921	17,412	(4,005)
Retained earnings (deficit), end of the year	(73,081)	18,739	(54,342)	(71,754)

THE ST. LAWRENCE SEAWAY AUTHORITY—*Continued*

STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED MARCH 31, 1995
(in thousands of dollars)

	1995			1994
	Seaway	Thousand Islands Bridge	Total	Total
Operating activities				
Cash provided from operations				
Net income (loss) for the year	15,491	1,921	17,412	(4,005)
Items not requiring cash				
Amortization	14,571	206	14,777	12,837
Provision for termination benefits	1,085		1,085	1,129
Profit on disposal of capital assets	(951)		(951)	(1,302)
	30,196	2,127	32,323	8,659
Net change in working capital components other than cash and term deposits	(674)	(2,021)	(2,695)	638
Payment of termination benefits	(383)		(383)	(1,956)
Cash provided by (used in) operating activities	29,139	106	29,245	7,341
Financing activities				
Cash provided by financing activities				
Investing activities				
Increase in long-term receivables	(1,750)		(1,750)	(145)
Transfer of investments to short-term				1,240
Purchase of long-term investments	(21,454)		(21,454)	
Increase in capital assets	(8,609)	(106)	(8,715)	(7,755)
Proceeds from disposal of capital assets	1,876		1,876	1,611
Cash used in investing activities	(29,937)	(106)	(30,043)	(5,049)
Increase (decrease) in cash	(798)		(798)	2,292
Cash and term deposits at beginning of year	22,120		22,120	19,828
Cash and term deposits at end of year	21,322		21,322	22,120
Working capital position at end of year				
Current assets	31,079		31,079	31,255
Current liabilities	22,557	(13,083)	9,474	11,549
	8,522	13,083	21,605	19,706

THE ST. LAWRENCE SEAWAY AUTHORITY—*Continued*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1995

1. Authority and objectives

The St. Lawrence Seaway Authority was established in 1954 under the *St. Lawrence Seaway Authority Act* and is classified as a parent Crown Corporation under Schedule III Part I of the *Financial Administration Act*.

The Authority was established to construct and operate a deep waterway between the Port of Montreal and Lake Erie together with such works and other property, including bridges incidental to the deep waterway, as deemed necessary by the Governor in Council.

The *St. Lawrence Seaway Authority Act* confers upon the Authority the powers to borrow money and to produce revenue by levying tolls for the use of the deep waterway. The tolls that may be charged shall be fair and reasonable and designed to provide a revenue sufficient to defray the cost to the Authority of its operations in carrying out the purposes for which it is incorporated, which costs shall include:

(a) payments in respect to the interest on amounts borrowed by the Authority to carry out those purposes;

(b) amounts sufficient to amortize the principal of those amounts over a period not exceeding fifty years; and

(c) the cost of operating and maintaining the canals and works under the administration of the Authority, including all operating costs of the Authority and such reserves as may be approved by the Minister.

Under the *St. Lawrence Seaway Authority Act*, tolls may be established by filing with the National Transportation Agency or by agreement between Canada and the United States. This agreement between the two countries is in the form of an exchange of notes in accordance with directions given by the Governor in Council.

2. Accounting policies

The financial statements have been prepared in accordance with accounting principles generally accepted in Canada. A summary of significant accounting policies follows:

(a) Supplies inventory

Supplies inventory comprises equipment and supplies used in the operation and maintenance of the Seaway and is recorded at cost.

(b) Wholly-owned Crown corporations

The Authority does not have the right and ability to obtain future economic benefits from the resources of two wholly-owned subsidiaries for purposes of the *Financial Administration Act* and the Authority is not exposed to the related risks. The investment in these two corporations, The Jacques Cartier and Champlain Bridges Incorporated and Great Lakes Pilotage Authority, Ltd., is recorded at cost.

The Authority also owns all the shares of The Seaway International Bridge Corporation, Ltd., a subsidiary for purposes of the *Financial Administration Act*. However, this is effectively a joint venture with the Saint Lawrence Seaway Development Corporation since, based on an agreement, earnings after certain initial costs are repaid, will be divided equally. As a result, the investment is accounted for using the equity method.

(c) Capital assets

Capital assets are recorded at cost. Replacements and major improvements which increase the capacity of the deep waterway system or extend the estimated useful lives of existing assets are capitalized. Repairs and maintenance are charged to operations as incurred. The cost of assets sold, retired, or abandoned, and the related accumulated amortization are removed from the accounts on disposal. Gains or losses on disposals are credited or charged to operations.

Amortization is recorded using the straight-line method based on the estimated useful lives of the assets.

(d) Welland Canal and Valleyfield Bridge Rehabilitation Programs

Funding received from the Government of Canada for these programs is accounted for by crediting the amount against the cost of related capital projects undertaken during the year. The non-funded remaining cost, which is to be recovered from the users, is capitalized and amortized.

(e) Employee termination benefits

Employees of the Authority are entitled to specified benefits on termination as provided for under labour contracts and conditions of employment. The liability for these benefits is recorded in the accounts as the benefits accrue to employees.

(f) Pension plan

All employees of the Authority are covered by the Public Service Superannuation Plan administered by the Government of Canada. Contributions to the Plan are required from both the employee and the Authority. These contributions represent the total liability of the Authority and are recognized in the accounts on a current basis.

The Authority is not required under present legislation to make contributions with respect to actuarial deficiencies of the Public Service Superannuation Account.

(g) Employee life insurance plan

The Authority provides a life insurance plan for its employees. Surpluses and deficits from the plan are included in revenues or expenses in the year in which they are incurred.

(h) Insurance

The Authority assumes substantially all risks in relation to compensation and damages to its locks. For all other assets the Authority carries conventional insurance.

(i) Thousand Islands Bridge

In September 1976, the Minister of Transport entrusted the Authority with the management and operation of the Thousand Islands Bridge, while the real property was vested in the name of Her Majesty in Right of Canada. Subsequent capital expenditures made by the Authority to improve the Bridge have been recorded as capital assets. The retained earnings of the Bridge represent its cumulative earnings since September 1976.

These financial statements have segregated the operations of the Thousand Islands Bridge on the premise that its management and operation by the Authority is independent of Seaway operations.

THE ST. LAWRENCE SEAWAY AUTHORITY—*Continued*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1995—*Continued*

(j) Incentive Tolls Program

The Authority offers toll rebates on certain cargoes to promote increased traffic, and thus increase revenues. The rebates are debited to toll revenues earned during the year.

3. Long-term investments

In order to provide for future operating requirements, including emergencies and cash deficits, of the St. Lawrence Seaway and for future employee termination benefits, the Authority has set aside the following long-term investments:

	1995	1994
	(in thousands of dollars)	
Operating requirements:		
Government of Canada Bonds, maturing on varying dates up to 1995		6,086
Par value (1994—$6,000)		
Market value (1994—$6,180)		
Investment Certificates with various maturity dates between 1 and 4 years with various interest rates	36,300	8,760
	36,300	14,846
Termination benefits:		
Deposit with Consolidated Revenue Fund, maturing April 1995	13,000	13,000
	49,300	27,846

4. Long-term mortgages and other receivables

The Authority has entered into long-term mortgages for the sale of parcels of land. The long-term receivables outstanding at March 31 are as follows:

	1995	1994
	(in thousands of dollars)	
Mortgages		
8 and 9 percent interest, recoverable in monthly payments amortized over terms not exceeding 20 years renewable every 2 and 3 years	1,138	166
Deferred portion of bridge user charge from The Seaway International Bridge Corporation Ltd. Interest varying based on Canada Treasury Bills, with no set repayment schedule.	953	175
	2,091	341

5. Wholly-owned Crown corporations and related parties transactions

Investments consist of the following:

	Number of shares	Cost
		$
Great Lakes Pilotage Authority, Ltd. (GLPA)	15	1,500
The Jacques Cartier and Champlain Bridges Incorporated (JCCBI)	1	100
The Seaway International Bridge Corporation, Ltd. (SIBC)	8	8,000
		9,600

The Authority is related in terms of common ownership to all Government of Canada created departments, agencies and Crown corporations. The Authority enters into transactions with these entities in the normal course of business.

During the year ended March 31, 1995, the Authority provided JCCBI with certain engineering and administrative services for which it charged $563,767 (1994—$678,829). At March 31, 1995, $76,579 was receivable (1994—$121,967).

Based on the joint venture agreement, the Authority is entitled to the excess of revenues over expenses of SIBC for the year ended December 31, 1994. The Authority's construction and interest costs related to the North Channel Bridge being fully amortized, the excess was distributed on an equal basis based on the joint venture agreement between the Authority and the Saint Lawrence Seaway Development Corporation which established SIBC (1994—$339,991; 1993—$158,835). It also paid $101,878 (1994—$55,039) for engineering and administrative services provided by the Authority.

The Canadian Coast Guard provides the Authority with navigational aids services. The fee paid by the Authority for this service during the year amounted to $600,000 (1994—$600,000).

THE ST. LAWRENCE SEAWAY AUTHORITY—*Continued*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1995—*Continued*

6. Capital Assets

	Amortization rate	1995 Cost	1995 Accumulated amortization	1995 Net	1994 Net
		(in thousands of dollars)			
Seaway					
Land		28,355		28,355	29,195
Channels and canals	1%	266,521	97,329	169,192	164,877
Locks	1%	230,278	90,943	139,335	141,713
Bridges and tunnels	2-4%	122,227	59,311	62,916	64,747
Buildings	2%	13,240	8,273	4,967	5,288
Equipment	2-20%	36,287	26,950	9,337	13,326
Remedial works	1%	121,407	31,402	90,005	91,256
Work under construction		688		688	1,281
		819,003	314,208	504,795	511,683
Thousand Islands Bridge Improvements	2-10%	6,723	1,066	5,657	5,756
		825,726	315,274	510,452	517,439

Subsequent additions to assets are amortized over the remaining estimated useful life of the initial group of assets to which the addition is related. The estimated useful life of these assets is for periods that vary between 2009 and 2083.

The estimated useful life of all Information Technology assets has been revised in 1994-95 from 10 years to 5 years. This revision results in an amortization expense that is higher by $1,929,210 in the current financial year. It will also result in an annual amortization expense totalling $1,196,560.

The Authority is currently reviewing its capital asset policy which includes an assessment of the estimated useful life of all major physical assets. This exercise is anticipated to result in a major devaluation of the Authority's capital assets and impact materially on the Authority's financial results.

Welland Canal Rehabilitation Program

In 1985, the Authority engaged consultants to examine in detail, and report on, the structural condition of the Welland Canal system. The report was submitted during 1986 and, as a result, a seven-year $175 million rehabilitation program was established to refit the Welland Canal and ensure a continued safe and reliable waterway into the 21st century. The program consisted of refurbishing the lock walls, stabilizing the canal banks and approach walls, and rehabilitating ancillary structures.

During 1986, the Government of Canada approved funding for the financing of the Welland Canal Rehabilitation Program. The funding of $175 million, which terminated in 1993, has been deducted from related works under construction.

Valleyfield Bridge Rehabilitation Program

In 1987, Hydro-Quebec undertook an in-depth inspection of the bridge which led to the Rehabilitation Program for the Valleyfield Bridge. The Authority's share of the Rehabilitation represents 25 percent of the total cost.

A Treasury Board decision, rendered in 1992, made the Authority responsible for $17.8 million of the cost of work completed at March 31, 1992. All work was completed at March 31, 1993 and the costs to be funded by the Government of Canada amounted to $8.4 million, $1.0 million of which is included in accounts receivable.

7. Contributed capital

As of April 1, 1977, loans from Canada of $624.95 million were converted to equity by parliamentary appropriation. This amount was recorded as contributed capital. The parliamentary appropriation authorizing the 1977 conversion of loans from Canada to equity also authorized the Minister to fix, from time to time, the amount that shall be paid by the Authority annually out of its toll revenue as a return on capital. No return on capital has been required to be paid for the years ended March 31, 1995 and 1994.

8. Income taxes—Large Corporations Tax

The Authority, as a prescribed Federal Crown corporation, is subject to the provisions of the *Income Tax Act*. The Authority is not subject to any provincial income taxes.

Currently, unamortized capital cost for tax purposes is in excess of the net book value of capital assets by approximately $203 million. The tax effect of this excess has not been recorded in the accounts of the Authority. The Authority also has a taxable loss of $2.7 million which is available to reduce the taxable income of future years.

9. Commitments

At March 31, 1995, contractual obligations for capital and other expenditures amounted to $1.4 million (1994—$1.5 million). The commitment for the future minimum operating lease payments, required for office space for a term in excess of one year, is as follows:

	(in thousands of dollars)
1995-96	269
1996-97	179

THE ST. LAWRENCE SEAWAY AUTHORITY—*Continued*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1995—*Concluded*

10. Contingencies

There is a total of $58 million in claims instituted against the Authority. These arise from the breakdown of the Valleyfield bridge in November 1984, the October 1985 Lock 7 wall blow-out, compensation and damages in connection with the expropriation of lands and various other claims. The Authority is contesting all these claims and their outcome cannot be determined at this time although management is of the opinion that these actions will not result in any material losses to the Authority. The Authority is also the claimant in certain other pending or threatened claims and lawsuits.

In the past few years, the Authority has become aware of environmental damage to its properties. The magnitude of the future removal and site restoration cost cannot be reasonably determined at this time. However, management is of the opinion that the expensitures required will not have a material adverse effect on the Authority's financial position.

11. Major Restoration of the Seaway

The amount of funds provided by operating activities and the level of long-term investments for future operating requirements will not be sufficient to finance the major restoration projects of the St. Lawrence Seaway in the foreseeable future. The Authority will require outside financing of these projects.

12. Final settlement of claim

One of the pending claims was settled at the beginning of the year and an amount of $2,750,000 was recovered for the costs of repairs to the St. Louis Bridge.

13. Correction of error in prior year

The Authority has transferred some parts of the Welland Canal Road and Haulage Road in the St. Catharines area in a prior year. The opening balance of the 1994 deficit was restated for the write-off of the net book value of the assets which amounted to $878,890.

14. Future outlook of the St. Lawrence Seaway System

On June 2, 1995, in St. John's Newfoundland, the Minister of Transport announced the Government's intention to commercialize the St. Lawrence Seaway system. The Department of Transport is exploring options which would significantly modify The St. Lawrence Seaway Authority as established in 1954 under the *St. Lawrence Seaway Authority Act* and currently classified as a parent Corporation under Schedule III of Part I of the *Financial Administration Act*. Some of the options explored by the Department of Transport, if realized, would likely have a significant impact on the corporation's financial situation and results.

15. Comparative figures

Some of the 1994 comparative figures were reclassified to conform to the presentation adopted in 1995.

THE ST. LAWRENCE SEAWAY AUTHORITY—*Continued*

APPENDIX 1

THE JACQUES CARTIER AND CHAMPLAIN BRIDGES INCORPORATED

AUDITOR'S REPORT

TO THE MINISTER OF TRANSPORT

I have audited the balance sheet of The Jacques Cartier and Champlain Bridges Incorporated as at March 31, 1995 and the statements of operations, deficit, contributed capital and changes in financial position for the year then ended. These financial statements are the responsibility of the corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the corporation as at March 31, 1995 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles. As required by the *Financial Administration Act*, I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the corporation that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Canada Business Corporations Act* and the articles and by-laws of the corporation.

Raymond Dubois, FCA
Deputy Auditor General
for the Auditor General of Canada

Ottawa, Canada
May 3, 1995

BALANCE SHEET AS AT MARCH 31, 1995

ASSETS	1995	1994
	$	$
Current		
Cash and short-term investments	2,221,517	2,970,947
Accounts receivable	1,043,352	251,910
Due from Canada	5,286,896	8,093,501
	8,551,765	11,316,358
Capital assets		
Land	3,678,846	3,682,465
Bridges	73,321,602	73,321,602
Vehicles and equipment	1,067,210	1,089,949
	78,067,658	78,094,016
Less: accumulated amortization	66,270,018	65,131,643
	11,797,640	12,962,373
	20,349,405	24,278,731

LIABILITIES	1995	1994
	$	$
Current		
Accounts payable	5,015,409	7,734,072
Due to parent company	67,194	121,967
Deferred revenues	277,646	268,803
	5,360,249	8,124,842
Long-term		
Provision for employee termination benefits	351,372	342,205
	5,711,621	8,467,047
Commitments and contingencies (Notes 5 and 6)		
SHAREHOLDER'S EQUITY		
Capital stock		
Authorized—50 shares without par value		
Issued and fully paid—1 share	100	100
Contributed capital	33,324,159	33,327,597
Deficit	(18,686,475)	(17,516,013)
	14,637,784	15,811,684
	20,349,405	24,278,731

Approved by the Board:

GLENDON R. STEWART
Director

ROGER J. FORGUES
Director

THE ST. LAWRENCE SEAWAY AUTHORITY—*Continued*

APPENDIX 1—*Continued*

THE JACQUES CARTIER AND CHAMPLAIN BRIDGES INCORPORATED—*Continued*

STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 1995

	Jacques Cartier Bridge	Champlain Bridge	Total 1995	Total 1994
	$	$	$	$
Revenues				
Leases and licenses	265,818	172,284	438,102	458,112
Interest	81,842	81,843	163,685	126,702
Other	88,391	149,759	238,150	180,146
	436,051	403,886	839,937	764,960
Expenses				
Maintenance (Note 3)	7,144,150	20,383,626	27,527,776	30,529,534
Operation	1,178,695	2,267,077	3,445,772	3,388,059
Administration	715,734	1,242,180	1,957,914	2,194,213
Amortization	93,286	1,068,009	1,161,295	1,150,292
	9,131,865	24,960,892	34,092,757	37,262,098
Loss before Large Corporations Tax	8,695,814	24,557,006	33,252,820	36,497,138
Large Corporations Tax	7,086	7,086	14,172	74,112
Net loss for the year	8,702,900	24,564,092	33,266,992	36,571,250

STATEMENT OF DEFICIT
FOR THE YEAR ENDED MARCH 31, 1995

	1995	1994
	$	$
Balance at beginning of the year	17,516,013	16,434,860
Net loss for the year	33,266,992	36,571,250
	50,783,005	53,006,110
Parliamentary appropriation—Operations	32,096,530	35,490,097
Balance at end of the year	18,686,475	17,516,013

STATEMENT OF CONTRIBUTED CAPITAL
FOR THE YEAR ENDED MARCH 31, 1995

	1995	1994
	$	$
Balance at beginning of the year	33,327,597	33,108,796
Parliamentary appropriation (refund)—Capital assets	(3,438)	218,801
Balance at end of the year	33,324,159	33,327,597

STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED MARCH 31, 1995

	1995	1994
	$	$
Operating activities		
Net loss for the year	(33,266,992)	(36,571,250)
Non-cash items		
Amortization	1,161,295	1,150,292
Increase (decrease) in the provision for employee termination benefits	9,167	(69,139)
	(32,096,530)	(35,490,097)
Changes in non-cash items of working capital	(3,556,035)	4,895,569
	(35,652,565)	(30,594,528)
Investing activities		
Addition to capital assets	(46,099)	(235,461)
Proceeds from the disposal of capital assets	49,537	16,660
	3,438	(218,801)
Financing activities		
Parliamentary appropriation	32,093,092	35,708,898
Cash and cash equivalents		
Increase (decrease) for the year	(3,556,035)	4,895,569
Balance at beginning of the year	11,064,448	6,168,879
Balance at end of the year (*)	7,508,413	11,064,448
(*) Cash and short-term investments	2,221,517	2,970,947
Due from Canada	5,286,896	8,093,501
	7,508,413	11,064,448
Working capital position at year-end		
Current assets	8,551,765	11,316,358
Current liabilities	5,360,249	8,124,842
	3,191,516	3,191,516

THE ST. LAWRENCE SEAWAY AUTHORITY—*Continued*

APPENDIX 1—*Continued*

THE JACQUES CARTIER AND CHAMPLAIN BRIDGES INCORPORATED—*Continued*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1995

1. Authority and activities

The Jacques Cartier and Champlain Bridges Incorporated was established under the *Canada Business Corporations Act* on November 3, 1978 and is a wholly-owned subsidiary of The St. Lawrence Seaway Authority, which is a Crown corporation named in Part I of Schedule III to the *Financial Administration Act.*

The corporation is dependent on the Government of Canada for its financing.

Effective December 1, 1978, the corporation assumed the responsibility for the operation, maintenance and control of the Jacques Cartier and Champlain bridges and of a portion of the Bonaventure Autoroute, situated in the Montreal area.

2. Significant accounting policies

(a) Capital assets

Capital assets acquired from the National Harbours Board (now Canada Ports Corporation) on December 1, 1978 were recorded at their then book values with an offset to contributed capital. Subsequent additions are recorded at cost.

Capital assets are amortized over their estimated economic lives using the straight-line method, at the following rates:

Jacques Cartier Bridge	4.8%
Champlain Bridge	2.5%
Vehicles and equipment	10% and 20%

The cost of the portion of the Bonaventure Autoroute for which the corporation is responsible and the initial cost of the Jacques Cartier Bridge are fully amortized.

The cost of major maintenance is charged to operations in the year in which the work is performed.

(b) Parliamentary appropriation

The amount of the parliamentary appropriation used to cover the loss for the year is reflected in the statement of deficit. In this regard, operating expenses do not include amortization and any change in the provision for employee termination benefits.

The portion of the parliamentary appropriation used to finance the acquisition of capital assets, net of proceeds from disposal, is recorded as contributed capital.

Any balance of the parliamentary appropriation required to finance the loss for the year and not received at the year-end is shown as an amount due from Canada. Any parliamentary appropriation received in excess of requirements is recorded as due to Canada. It is the corporation's policy to reimburse this amount in the following fiscal year.

(c) Deferred revenues

Leases and licenses revenues collected in advance are recorded as deferred revenues.

(d) Employee termination benefits

On termination of employment, employees are entitled to certain benefits provided under their collective agreement and their conditions of employment. The cost of these benefits is expended in the year in which they are earned.

(e) Pension plan

Employees participate in the Superannuation Plan administered by the Government of Canada. The employees and the corporation contribute equally to the cost of the Plan. This contribution represents the total liability of the corporation. Contributions in respect of current service and of admissible past service are expended when paid. The terms of payment of past service contributions are set by the applicable purchase conditions, generally over the number of years of service remaining prior to retirement.

(f) Expenses

Expenses incurred with respect to the portion of the Bonaventure Autoroute for which the corporation is responsible are included with those for the Champlain Bridge.

(g) Income Taxes

The corporation, as a federal Crown corporation is not subject to any provincial income taxes. The corporation is, however, subject to the provisions of the *Federal Income Tax Act* due to the fact that its parent corporation is subject to these provisions in accordance with a regulation regarding this Act. Therefore, the corporation is subject to the Large Corporations Tax.

3. Major rehabilitation works

In its endeavour to keep the bridges and the autoroute in a good state of repair, to protect the public and serve traffic needs throughout the useful life of these installations, the corporation must undertake major rehabilitation works on the deck of the Jacques Cartier bridge. The urgency and the nature of the work to be undertaken have yet to be defined; it is therefore not possible at this time to assess the eventual cost of the major repairs which will have to be carried out over a number of years. It is expected that the cost of this program will be funded by parliamentary appropriations. The corporation expects that the repairs to the Jacques Cartier bridge will begin in 1996-97.

4. Related party transactions

The corporation is related in terms of common ownership to all Government of Canada created departments, agencies and Crown corporations. The corporation enters into transactions with these entities in the normal course of business. The main related party transactions entered into by the corporation sum up to administrative services received from its parent corporation for an amount of $905,778 ($865,753 in 1994).

THE ST. LAWRENCE SEAWAY AUTHORITY—*Continued*

APPENDIX 1—*Concluded*

THE JACQUES CARTIER AND CHAMPLAIN BRIDGES INCORPORATED—*Concluded*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1995—*Concluded*

5. Commitments

(a) Leases

The aggregate minimum rental payments under long-term leases for premises and equipment through to April 30, 1997 are approximately $195,000 on an annual basis.

(b) Operation services

The minimum amount which will be paid in future years under an agreement for police services ending on June 30, 1999 is $3.2 million on an annual basis.

(c) Suppliers

At March 31, 1995, contractual obligations to suppliers amounted to approximately $10 million.

6. Contingencies

(a) The corporation has benefited from reimbursements equivalent to 57% of the goods and services tax and 40% of the Quebec provincial sales tax since their respective implementation. These reimbursements, totalling $3.5 million, were claimed based on information obtained when these taxes were implemented and lead the corporation to believe that it could benefit from these reimbursements according to the Act.

The status of the corporation is actually under revision at Revenue Quebec.

It is presently impossible to evaluate whether the corporation will have to return the amounts received as a reimbursement of these taxes or whether it will be exempt. Any settlement that could result from Revenue Quebec decision will be accounted for in the year in which the decision will be rendered.

(b) In the normal course of its activities, the corporation is the claimant or defendant in certain pending claims or lawsuits. It is the opinion of management that these actions will not result in any material liabilities to the corporation. Any amount that could result from the settlement of these claims will be charged to the year in which it occurs.

THE ST. LAWRENCE SEAWAY AUTHORITY—*Continued*

APPENDIX 2

THE SEAWAY INTERNATIONAL BRIDGE CORPORATION, LTD.

AUDITOR'S REPORT

TO THE MINISTER OF TRANSPORT

I have audited the balance sheet of The Seaway International Bridge Corporation, Ltd. as at December 31, 1994 and the statements of revenues and expenses and changes in financial position for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 1994 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles. As required by the *Financial Administration Act*, I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Corporation that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *St. Lawrence Seaway Authority Act*, the *Canada Business Corporations Act*, and the articles and by-laws of the Corporation.

D. Larry Meyers, FCA
Deputy Auditor General
for the Auditor General of Canada

Ottawa, Canada
March 24, 1995

BALANCE SHEET AS AT DECEMBER 31, 1994

ASSETS	1994	1993
	$	$
Current		
Cash and short-term deposits	655,090	1,411,671
Accounts receivable	10,569	34,885
	665,659	1,446,556
Capital assets (Note 3)		
Cost	1,054,344	970,905
Less: accumulated amortization	590,849	485,495
	463,495	485,410
Deferred major repairs	1,944,412	111,742
Less: accumulated amortization	194,441	
	1,749,971	111,742
	2,879,125	2,043,708

LIABILITIES	1994	1993
	$	$
Current		
Accounts payable and accrued liabilities	477,150	104,554
Due to The St. Lawrence Seaway Authority (Note 5)	845,409	1,382,441
Due to the Saint Lawrence Seaway Development Corporation (Note 5)	3,707	1,025
Deferred revenue	90,871	107,729
	1,417,137	1,595,749
Long-term		
Accrued employee termination benefits	229,663	237,238
Due to The St. Lawrence Seaway Authority (Note 5)	953,013	138,850
Due to the Saint Lawrence Seaway Development Corporation (Note 5)	263,312	55,871
Debentures payable (Note 6)	8,000	8,000
	1,453,988	439,959
	2,871,125	2,035,708
SHAREHOLDER'S EQUITY		
Capital stock		
Authorized—An unlimited number of common shares		
Issued and fully paid—8 shares	8,000	8,000
	2,879,125	2,043,708

Contingency (Note 7)

Approved by the Board:

G.R. STEWART
President and Director

STANFORD E. PARRIS
Vice-President and Director

THE ST. LAWRENCE SEAWAY AUTHORITY—*Continued*

APPENDIX 2—*Continued*

THE SEAWAY INTERNATIONAL BRIDGE CORPORATION, LTD.—*Continued*

STATEMENT OF REVENUES AND EXPENSES FOR THE YEAR ENDED DECEMBER 31, 1994

	1994	1993
	$	$
Revenues		
Tolls	2,947,110	3,739,586
Rentals	107,730	104,833
Interest	71,760	43,325
Other	4,082	6,229
	3,130,682	3,893,973
Expenses		
Salaries and employee benefits	1,454,775	1,460,454
Amortization	305,008	99,352
Maintenance, materials and services	247,984	295,991
Professional services	197,675	188,041
Interest and bank charges (Note 4)	88,980	12,538
Grants in lieu of municipal taxes	36,780	19,013
Insurance	30,385	29,634
Advertising, telephone and office supplies	29,708	33,250
Electricity	26,860	22,316
Employee termination benefits	18,714	30,515
Travel	4,320	4,016
Other	9,511	16,226
	2,450,700	2,211,346
Excess of revenues over expenses (Note 4)	679,982	1,682,627
Due to The St. Lawrence Seaway Authority as a bridge user charge		1,364,957
Balance to be divided 50/50 as per the joint venture agreement	679,982	317,670
Due to the Saint Lawrence Seaway Development Corporation	339,991	158,835
Due to The St. Lawrence Seaway Authority	339,991	158,835

STATEMENT OF CHANGES IN FINANCIAL POSITION FOR THE YEAR ENDED DECEMBER 31, 1994

	1994	1993
	$	$
Operating activities		
Cash provided from operations		
Excess of revenues over expenses	679,982	1,682,627
Items not requiring cash		
Employee termination benefit accruals	18,714	30,515
Amortization	305,008	99,352
	1,003,704	1,812,494
Payment of current portion of excess of revenues over expenses for portion of the South Channel Bridge repair costs to be funded by the St. Lawrence Seaway Authority and the Saint Lawrence Seaway Development Corporation	(196,435)	(149,910)
Payment of prior year's bridge user charge		(1,671,784)
Payments of employee termination benefits	(8,274)	
Other changes in non-cash working capital items	365,746	(83,612)
	1,164,741	(92,812)
Investing activities		
Additions to deferred major repairs	(1,832,670)	(111,742)
Additions to capital assets	(96,471)	(76,056)
Proceeds from disposal of capital assets	7,819	
	(1,921,322)	(187,798)
Decrease in cash	(756,581)	(280,610)
Cash and short-term deposits, beginning of the year	1,411,671	1,692,281
Cash and short-term deposits, end of the year	655,090	1,411,671

THE ST. LAWRENCE SEAWAY AUTHORITY—*Continued*

APPENDIX 2—*Continued*

THE SEAWAY INTERNATIONAL BRIDGE CORPORATION, LTD.—*Continued*

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1994

1. Authority and activities

The Seaway International Bridge Corporation, Ltd. (the Joint Venture) is an agent of The St. Lawrence Seaway Authority and its U.S. counterpart, the Saint Lawrence Seaway Development Corporation. The purpose of the Joint Venture is to operate and manage the international toll bridge system between Cornwall, Ontario, and Rooseveltown, New York based on a September 1957 joint venture agreement. The Seaway International Bridge Corporation was incorporated under the *Canada Corporations Act* in 1962, continued under the *Canada Business Corporations Act*, and is subject to *The St. Lawrence Seaway Authority Act*. All the shares of The Seaway International Bridge Corporation are owned by The St. Lawrence Seaway Authority which constitutes a subsidiary for the purposes of the *Financial Administration Act*.

2. Accounting policies

The financial statements have been prepared in accordance with accounting principles generally accepted in Canada. A summary of significant accounting policies follows:

Excess of revenues over expenses

Excess of revenues over expenses is distributed based on a formula specified in the joint venture agreement as described in Note 4 to the financial statements. The excess of revenues over expenses represents amounts collected on behalf of The St. Lawrence Seaway Authority and the Saint Lawrence Seaway Development Corporation, and does not constitute a profit for the Joint Venture.

Capital assets and amortization

Capital assets are recorded at cost. These costs include moveable and removable assets acquired to operate the bridge. The cost of the North Channel Bridge is recorded in the books of The St. Lawrence Seaway Authority. The cost of the South Channel Bridge is recorded in the books of The St. Lawrence Seaway Authority (32 percent) and the Saint Lawrence Seaway Development Corporation (68 percent).

Costs, borne by the joint venture, that are improvements to the North Channel Bridge which are required for operational efficiency and to ensure its reliability are capitalized if they enhance the service potential of the capital asset.

Amortization of capital assets is based on their estimated useful life and is calculated on the straight-line method at the following annual rates:

Automotive	20%
Maintenance equipment	10% to 20%
Office and toll equipment	10% to 22.5%
Buildings	5% to 10%
Bridge equipment	5%
Remedial works	4.8% to 10%

Amortization of work in progress projects commences when capital improvements are completed.

Deferred major repairs

In 1993, the Joint Venture commenced work on two major projects designed to maintain the reliability of the North Channel Bridge. While not qualifying as capital assets, the projects are significant, and the work will benefit future years. The Joint Venture believes that it would be inappropriate to expense the costs of these projects and has included them in deferred major repairs. The amounts will be amortized over their estimated useful lives at an annual rate of 10 percent.

Employee termination benefits

Employees are entitled to specified benefits on termination as provided for under the conditions of employment. The liability for these benefits is recorded in the accounts as the employees become entitled to the benefits.

Pension plan

Employees are covered by the Public Service Superannuation Plan administered by the Government of Canada. Contributions to the Plan are required from both the employee and the Joint Venture. These contributions represent the total pension liability of the Joint Venture and are recognized in the accounts on a current basis. The Joint Venture is not required under present legislation to make contributions with respect to actuarial deficiencies of the Public Service Superannuation Account.

Deferred revenue

Revenue from unredeemed toll tickets is deferred.

Employee life insurance plan

The Joint Venture provides a life insurance plan for its employees. Surpluses and deficits from the plan are included in revenues and/or expenses in the year in which they occur.

3. Capital assets

	1994			1993
	Cost	Accumulated amortization	Net	Net
	$	$	$	$
Automotive	193,631	143,613	50,018	49,603
Maintenance equipment	243,865	116,346	127,519	84,275
Office and toll equipment	410,192	282,703	127,489	173,157
Buildings	68,815	12,377	56,438	59,922
Bridge equipment	40,007	16,003	24,004	26,004
Remedial works	97,834	19,807	78,027	82,979
Work-in-progress				9,470
	1,054,344	590,849	463,495	485,410

THE ST. LAWRENCE SEAWAY AUTHORITY—*Continued*

APPENDIX 2—*Continued*

THE SEAWAY INTERNATIONAL BRIDGE CORPORATION, LTD.—*Continued*

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1994—*Continued*

4. Allocation of excess of revenues over expenses

By agreement between The St. Lawrence Seaway Authority and the Saint Lawrence Seaway Development Corporation, the annual excess of revenues over expenses of the Joint Venture is distributed as follows: first, as a bridge user charge to the Authority to offset the amortization of the construction cost of the North Channel Bridge together with interest; then to the Saint Lawrence Seaway Development Corporation an amount up to $300,000 to offset the amortization of their contribution, if any, towards the construction cost of the Raquette River Bridge. Any balance is then divided equally between both parties.

As disclosed in the table below, at December 31, 1993 the entire balance of the total construction cost of the North Channel Bridge had been fully amortized. Consequently, there were no bridge user charges for 1994. All annual excesses from the commencement of the Joint Venture's operations to December 31, 1992 have been paid to The St. Lawrence Seaway Authority as a bridge user charge. The 1993 bridge user charge has not been paid out as at December 31, 1994 and is included in the amounts due to the St. Lawrence Seaway Authority (Note 5).

	1994	1993
	$	$
Cost of construction of North Channel Bridge	11,109,347	11,109,347
Less: total of prior years bridge user charges	11,109,347	9,744,390
Unamortized balance at beginning of year		1,364,957
Less: current year bridge user charge		1,364,957
Unamortized balance at end of year		

No excess of revenues over expenses will be distributed to The Saint Lawrence Seaway Development Corporation for the construction cost of the Racquette River Bridge because it has not made any contribution to that cost.

Accordingly, since December 31, 1993, the annual excess of revenues over expenses is divided equally between The St. Lawrence Seaway Authority and The Saint Lawrence Seaway Development Corporation. Interest is being charged on any amount due (Note 5).

5. Due to The St. Lawrence Seaway Authority and the Saint Lawrence Seaway Development Corporation

The amounts due to The St. Lawrence Seaway Authority (SLSA) and the Saint Lawrence Seaway Development Corporation (SLSDC) are calculated as follows:

	SLSA		SLSDC	
	1994	1993	1994	1993
	$	$	$	$
Balance due at beginning of year	1,521,291	1,755,723	56,896	
Interest charged on overdue balance	84,084	10,125	3,707	
Payments made during the year				
—Prior year's bridge user charge		(1,671,784)		
—Other payables		(38,469)		
—Interest	(84,084)	(10,125)		
Work done on behalf of SLSA and SLSDC to the South Channel Bridge*	(62,860)	(47,971)	(133,575)	(101,939)
Current year bridge user charge for the North Channel Bridge		1,364,957		
Allocation of excess of revenues over expenses	339,991	158,835	339,991	158,835
Amount due at end of year	1,798,422	1,521,291	267,019	56,896
Long-term portion	953,013	138,850	263,312	55,871
Current portion	845,409	1,382,441	3,707	1,025

* Major repairs and/or betterments incurred to assure the reliability of the South Channel Bridge are to be borne by The SLSA and the SLSDC.

The long-term portion of the amount due to each corporation represents their respective share of the financing of deferred major repairs and remedial works. The long-term portion of the amount due to SLSDC is expected to increase as excess revenues over expenses are realized until it matches its 50 percent share of the unamortized balance of deferred major repairs and remedial works.

The amounts due to the St. Lawrence Seaway Authority and the Saint Lawrence Seaway Development Corporation will be paid as funds become available. Interest is charged on the balance outstanding at the average one year Treasury Bill rate for the long-term portion and at the average three months Treasury Bill rate for the current portion.

THE ST. LAWRENCE SEAWAY AUTHORITY—*Concluded*

APPENDIX 2—*Concluded*

THE SEAWAY INTERNATIONAL BRIDGE CORPORATION, LTD.—*Concluded*

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1994—*Concluded*

6. Debentures payable

These debentures, due on December 31, 2012, are non-interest bearing and payable to the Saint Lawrence Seaway Development Corporation.

7. Contingency

In February 1995, the main contractor for the North Channel Bridge new overlay construction project, claimed an amount of $593,837 relating to costs incurred in 1994 as an adjustment to the original contract price. The Joint Venture is disputing this claim and is currently reviewing its validity.

8. Bridge use

With the approval of the National Transportation Agency of Canada, the Joint Venture continues the practice of providing free usage of the bridge system to certain North American Indians. This represents a substantial portion of the Bridge traffic.

9. Related party transactions

In addition to the transactions disclosed elsewhere in these financial statements, administrative support and certain engineering services are provided by The St. Lawrence Seaway Authority. Administrative support services amounted to $61,391 in 1994, these services were provided free of charge in prior years. The charge for engineering services amounted to $33,722 for 1994 ($42,855 for 1993). The Joint Venture also enters into various other transactions with the Government of Canada, its agencies and other Crown corporations, in the normal course of business.

STANDARDS COUNCIL OF CANADA

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The accompanying financial statements and all information in the Annual Report are the responsibility of the Council and its officers. The financial statements were prepared by management in conformity with generally accepted accounting principles appropriate to Council's operations. The non-financial information provided in the Annual Report has been selected on the basis of its relevance to Council's objectives.

Council maintains a system of financial and management controls and procedures designed to provide reasonable assurance that the transactions undertaken by the Council are appropriately authorized, that assets are safeguarded and that financial records are properly maintained to provide reliable financial statements. These controls and procedures are also designed to provide reasonable assurance that transactions are in accordance with the Council's objectives and within its mandate as stated in the *Standards of Council of Canada Act*.

The Auditor General annually provides an independent, objective review of the financial records to determine if the financial statements report fairly the operating results and financial position of the Council in accordance with generally accepted accounting principles.

Council, through its Audit Committee, is responsible for reviewing management's financial and reporting practices in order to satisfy itself that these responsibilities are properly discharged by management. The Audit Committee, comprised solely of Council members, meets with management and the Auditor General to review the annual financial statements and reports on them to the Council.

Richard Lafontaine
President

AUDITOR'S REPORT

TO THE MINISTER OF INDUSTRY

I have audited the balance sheet of Standards Council of Canada as at March 31, 1995 and the statements of operations, equity of Canada and changes in financial position for the year then ended. These financial statements are the responsibility of the Council's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Council as at March 31, 1995 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles. As required by the *Financial Administration Act*, I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Council that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Standards Council of Canada Act* and the by-laws of the Council.

Raymond Dubois, FCA
Deputy Auditor General
for the Auditor General of Canada

Ottawa, Canada
May 12, 1995

BALANCE SHEET AS AT MARCH 31

ASSETS	1995	1994
	$	$
Current		
Cash	689,102	638,583
Accounts receivable		
Federal government departments	231,562	216,759
Other	802,717	600,645
Parliamentary appropriation receivable	763,000	559,263
Inventory of foreign standards	124,025	153,910
Prepaid expenses	363,657	293,157
	2,974,063	2,462,317
Capital assets (Note 3)	359,136	377,972
	3,333,199	2,840,289

LIABILITIES	1995	1994
	$	$
Current		
Accounts payable and accrued liabilities	957,564	745,799
Customer and other deposits	105,217	64,932
Deferred revenue	81,404	150,959
	1,144,185	961,690
Long-term		
Accrued employee severance benefits	243,303	325,531
	1,387,488	1,287,221
EQUITY OF CANADA		
Equity of Canada	1,945,711	1,553,068
	3,333,199	2,840,289

Approved by the Council:

RICHARD LAFONTAINE
President

MICHAEL B. McSWEENEY
Executive Director

STANDARDS COUNCIL OF CANADA—*Continued*

STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31

	1995	1994
	$	$
Revenue		
Sales of standards	2,490,675	2,034,613
Accreditation fees	1,167,728	720,169
GATT/NAFTA Enquiry Point	351,687	427,569
Interest income	37,002	23,323
Other	114,563	66,662
	4,161,655	3,272,336
Expenses		
Salaries and employee benefits	3,337,155	3,447,658
Memberships in international organizations	1,248,328	1,034,190
Direct cost of standards sold	1,209,266	959,615
Travel	879,023	833,709
Office accommodation	697,874	692,874
Professional and special services	490,296	356,397
Publications and printing	457,785	412,567
Telecommunications and postage	241,981	234,560
Amortization of capital assets	137,843	101,216
Office supplies	79,688	58,282
Rental of office equipment	78,504	73,911
Public relations	72,596	67,193
Meetings	63,214	62,354
Exchange of national standards	58,111	42,039
Other	140,348	139,299
	9,192,012	8,515,864
Excess of expenses over revenue	5,030,357	5,243,528

STATEMENT OF EQUITY OF CANADA
FOR THE YEAR ENDED MARCH 31

	1995	1994
	$	$
Balance at the beginning of the year	1,553,068	1,228,333
Parliamentary appropriation (Note 4)	5,423,000	5,568,263
	6,976,068	6,796,596
Excess of expenses over revenue	(5,030,357)	(5,243,528)
Balance at the end of the year	1,945,711	1,553,068

STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED MARCH 31

	1995	1994
	$	$
Operating activities		
Excess of expenses over revenue	(5,030,357)	(5,243,528)
Items not requiring an outlay of cash		
Amortization of capital assets	137,843	101,216
Employee severance benefits accrued		42,718
	(4,892,514)	(5,099,594)
Payment of accrued employee severance benefits	(82,228)	(47,654)
Changes in current liabilities and current assets other than cash	(278,732)	(221,358)
Cash applied to operating activities	(5,253,474)	(5,368,606)
Financing activities		
Parliamentary appropriation	5,423,000	5,568,263
Investing activities		
Additions to capital assets	(119,007)	(222,339)
Increase (decrease) in cash during the year	50,519	(22,682)
Cash at beginning of the year	638,583	661,265
Cash at end of the year	689,102	638,583

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1995

1. AUTHORITY, OBJECTIVES, AND PROGRAMMES

The Standards Council of Canada was created by Parliament as a corporation under the *Standards Council of Canada Act* in 1970 to be the national coordinating body for voluntary standardization. The Council is a Crown corporation named in Part I of Schedule III to the *Financial Administration Act*. The Council carries out its task through the National Standards System, a federation of accredited organizations concerned with standards writing, certification, testing, and quality systems registration.

The objectives of the Council are to foster and promote voluntary standardization in fields relating to the construction, manufacture, production, quality, performance, and safety of buildings, structures, manufactured articles, and products and other goods, and to further international cooperation in the field of standards.

The Council's activities and programmes are centred around six broad areas:

. accrediting organizations in Canada and the United States involved in standards writing, certification, testing, and quality systems registration;

. representing Canada's interests internationally through membership in the International Organization for Standardization (ISO), the International Electrotechnical Commission (IEC), the Pacific-Area Standards Conference (PASC), and the Pan-American Standards Commission (COPANT);

STANDARDS COUNCIL OF CANADA—*Concluded*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1995—*Concluded*

- coordinating and approving the development of National Standards of Canada;
- serving as the focal point for enquiries on the subject of standardization for both domestic and international activities and standards;
- fostering and promoting the understanding, benefits, and usage of standards in all aspects of economic activity both nationally and internationally;
- serving as the repository and focal point for national and international standards for distribution to Canadian industry.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Capital assets

Capital assets are recorded at cost and amortized on a straight-line basis over the estimated useful life of the assets as follows:

Furniture	5 years
Equipment	4 years
Leasehold improvements	term of the lease

(b) Inventory

Inventory of foreign standards is valued at the lower of cost and replacement cost.

(c) Prepaid expenses

Annual membership fees paid to ISO and IEC for periods extending beyond the fiscal year are recorded as prepaid expenses.

(d) Recoverable expenses

Recoveries of expenses in respect of an agreement for the operation of the GATT/NAFTA Enquiry Point are recognized as revenue at the time the expenses are incurred.

(e) Revenue and deferred revenue

Revenue is recorded on an accrual basis in the year in which it is earned. Amounts invoiced for accreditation services which have not been rendered are deferred and the revenue recorded as the services are provided.

(f) Parliamentary appropriation

Operating expenditures and the acquisition of capital assets are financed by a parliamentary appropriation which is credited to the equity of Canada in the year to which it applies.

(g) Employee severance benefits

Up to March 31, 1994, employees earned specified benefits payable on termination as provided for under Conditions of Employment. Benefits due to employees as of that date will be paid out over a five year period ending March 31, 1999, or upon an employee's termination if prior to March 31, 1999.

(h) Pension plan

Employees participate in the Public Service Superannuation Plan administered by the Government of Canada. The Council's contributions to the plan are limited to matching the employee's contributions for current service. These contributions are expensed during the year in which services are rendered and represent the total pension obligations of the Council.

3. CAPITAL ASSETS

	1995			1994
	Cost	Accumulated amortization	Net book value	Net book value
	$	$	$	$
Furniture	257,474	196,486	60,988	83,990
Equipment	850,037	658,874	191,163	174,706
Leasehold improvements	125,831	18,846	106,985	119,276
	1,233,342	874,206	359,136	377,972

4. PARLIAMENTARY APPROPRIATION

	1995	1994
	$	$
Amount voted	5,426,000	5,653,000
Frozen allotment	3,000	
Amount lapsed		(84,737)
Amount used	5,423,000	5,568,263

5. LEASE COMMITMENT

The Council is leasing office space for a ten year term which expires in May 2002. The future minimum annual rental under this agreement, exclusive of operating and realty tax expense, is $410,810 for years one to five, and $416,008 for years six to ten.

6. RELATED PARTY TRANSACTIONS

In addition to those related party transactions disclosed elsewhere in these financial statements, the Council is related in terms of common ownership to all Government of Canada created departments, agencies, and Crown corporations. The Council enters into transactions with these entities in the normal course of business.

VANCOUVER PORT CORPORATION

AUDITORS' REPORT

TO THE HONOURABLE DOUGLAS YOUNG, P.C., M.P.
MINISTER OF TRANSPORT

We have audited the consolidated balance sheet of the Vancouver Port Corporation as at December 31, 1994 and the consolidated statements of income and retained earnings and changes in financial position for the year then ended. These consolidated financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 1994 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Further, in our opinion, the transactions of the Corporation that have come to our notice during our examination of the consolidated financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, and the charter and by-laws of the Corporation.

KPMG Peat Marwick Thorne
Chartered Accountants

Vancouver, Canada
February 10, 1995

CONSOLIDATED BALANCE SHEET
AS AT DECEMBER 31, 1994
(in thousands of dollars)

ASSETS	1994	1993
Current assets:		
Cash	2,038	1,868
Investments (Note 2)	17,392	46,926
Accounts receivable	8,465	12,168
Materials and supplies		364
	27,895	61,326
Long-term receivables (Note 3)	13,248	13,987
Property and equipment (Note 4)	341,776	291,610
	382,919	366,923

LIABILITIES AND EQUITY OF CANADA	1994	1993
Current liabilities:		
Accounts payable and accrued liabilities	12,734	9,189
Grants in lieu of municipal taxes	5,495	6,054
Deferred revenues	4,051	3,810
	22,280	19,053
Accrued employee benefits	1,492	1,247
Loan from Canada (Note 5)	2,065	2,396
	25,837	22,696
EQUITY OF CANADA:		
Contributed capital	150,259	150,259
Retained earnings	206,823	193,968
	357,082	344,227
Commitments (Note 7)		
Contingencies (Note 8)		
Subsequent events (Note 9)		
	382,919	366,923

See accompanying notes to consolidated financial statements.

On behalf of the Board:

J. RON LONGSTAFFE
Chairman of the Board

THOMAS G. WHITE
Director

VANCOUVER PORT CORPORATION—*Continued*

CONSOLIDATED STATEMENT OF INCOME
AND RETAINED EARNINGS
FOR THE YEAR ENDED DECEMBER 31, 1994
(in thousands of dollars)

	1994	1993
Operating revenue	63,171	55,572
Expenses:		
Operating and administrative expenses	35,236	34,016
Grants in lieu of municipal taxes	4,618	4,877
Depreciation	10,420	10,022
	50,274	48,915
Income from operations	12,897	6,657
Investment income	3,113	4,662
Interest expense	(203)	(224)
	2,910	4,438
Net income	15,807	11,095
Retained earnings, beginning of year	193,968	219,509
	209,775	230,604
Special payment to Canada		(30,000)
Dividend payment to Canada	(2,952)	(6,636)
Retained earnings, end of year	206,823	193,968

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF
CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED DECEMBER 31, 1994
(in thousands of dollars)

	1994	1993
Cash provided by (used for):		
Operations:		
Net income	15,807	11,095
Items not involving cash:		
Depreciation	10,420	10,022
Other	792	2,208
Changes in non cash operating working capital	7,293	3,661
	34,312	26,986
Financing:		
Contributed capital provided by Canada		61,986
Special payment to Canada		(30,000)
Dividend payment to Canada	(2,952)	(6,636)
Long-term receivables	660	(1,274)
Loan from Canada currently payable	(331)	(308)
	(2,623)	23,768
Investments:		
Acquisition of Canada Place Corporation		(61,102)
Additions to property and equipment (net)	(61,053)	(38,401)
	(61,053)	(99,503)
Decrease in cash and investments	(29,364)	(48,749)
Cash and investments, beginning of year	48,794	97,543
Cash and investments, end of year	19,430	48,794

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 1994

LOCAL PORT CORPORATION

The Vancouver Port Corporation was established on July 1, 1983 as a local port corporation pursuant to the *Canada Ports Corporation Act*. The Corporation is exempt from income taxes.

The Corporation's mission is "to facilitate the efficient movement of maritime exports and imports through the Port of Vancouver in the best interests of Canadians, and, in so doing, provide a gateway to world trade—in particular the Pacific Rim—which customers are eager to use and which has wide public support".

1. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared by management in accordance with generally accepted accounting principles considered to be appropriate in the circumstances and consistently applied. A summary of the significant accounting policies of the Corporation is as follows:

(a) Consolidation

The consolidated financial statements include the accounts of the Corporation and its wholly owned subsidiary, Canada Place Corporation. All significant intercompany accounts and transactions have been eliminated since acquisition.

(b) Property and equipment

Property and equipment are recorded at cost. Depreciation is calculated on the straight-line basis, commencing with the year the asset becomes operational, at rates based on the estimated useful lives of the assets as follows:

Asset	Rate
Dredging	15 to 40 years
Berthing structures, buildings, roads and surfaces	10 to 40 years
Utilities	10 to 33 years
Machinery and equipment	1 to 20 years
Office furniture and equipment	3 to 5 years

(c) Pension costs

All permanent employees of the Corporation are covered by either the Public Service Superannuation Plan administered by the Government of Canada, or a private group retirement plan. Contributions to the plans are required from the employees and the Corporation. Although both plans are defined benefit plans, the contributions represent the total pension liability of the Corporation and are recognized in the accounts on a current basis. The Corporation is not required under present legislation to make contributions with respect to actuarial deficiencies of the Public Service Superannuation Account and/or with respect to charges to the Consolidated Revenue Fund for indexation payments under the *Supplementary Retirement Benefits Act*.

VANCOUVER PORT CORPORATION—*Continued*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 1994—*Continued*

(d) Grants in lieu of municipal taxes

Grants in lieu of municipal taxes are estimated based on municipal assessments adjusted in accordance with the *Municipal Grants Act.* After the amounts have been audited by the Municipal Grants Division of Public Works Canada, any adjustments upon finalization are reflected in the accounts in the period of settlement.

(e) Employee benefits

The Corporation accrues estimated liabilities for severance pay and annual leave. These benefits are provided under collective agreements and corporate policy.

2. INVESTMENTS

Current investments are in Government of Canada treasury bills and term deposits. At December 31, 1994 and 1993 the market value of these investments approximated carrying value.

3. LONG-TERM RECEIVABLES

	1994	1993
	(in thousands of dollars)	
Long-term agreements for sale, bearing interest between 6-5/8 percent and 9 percent per annum, receivable in blended annual installments totaling approximately $1.8 million, maturing between 1996 and 2012	12,713	13,462
Less current portion	(691)	(755)
	12,022	12,707
Non interest bearing agreement		3,947
Less current portion		(3,947)
Fire protection costs, net of amortization	1,200	1,280
Other	26	
	13,248	13,987

Current portion is reflected in accounts receivable.

4. PROPERTY AND EQUIPMENT

	1994			1993
	Cost	Accumulated depreciation	Net book value	Net book value
	(in thousands of dollars)			
Land	86,493		86,493	82,329
Dredging	450	265	185	137
Berthing structures	73,048	33,219	39,829	36,625
Buildings	121,068	28,071	92,997	90,016
Utilities	21,348	9,820	11,528	11,832
Roads and surfaces	36,953	26,464	10,489	11,871
Machinery and equipment	32,152	15,326	16,826	18,568
Office furniture and equipment	10,232	6,474	3,758	4,358
Leased assets				5,890
Projects under construction	79,671		79,671	29,984
	461,415	119,639	341,776	291,610

Current portion if reflected in accounts receivable.

5. LOAN FROM CANADA

	1994	1993
	(in thousands of dollars)	
Interest-bearing loan at 7.5 percent, repayable in blended annual installments, maturing December 31, 2000	2,396	2,704
Less current portion (included in accounts payable)	(331)	(308)
	2,065	2,396

Principal repayment requirements over the next five years are as follows:

	(in thousands of dollars)
1995	331,000
1996	355,000
1997	382,000
1998	411,000
1999	442,000
	1,921,000

VANCOUVER PORT CORPORATION—*Concluded*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 1994—*Concluded*

6. RELATED PARTY TRANSACTIONS

In addition to the transactions described elsewhere in these consolidated financial statements, the Corporation paid $2,107,000 (1993—$2,227,000) to Canada Ports Corporation as its share of that Corporation's operating expenses.

7. COMMITMENTS

Contractual obligations for the completion, construction and purchase of property and equipment as at December 31, 1994 are estimated at $68.1 million.

It is the policy of all port corporations that each port corporation pay a dividend to Canada not later than March 31 based on a Corporation's prior year's income. Dividends are recorded by the Corporation as a liability when declared.

8. CONTINGENCIES

(a) At December 31, 1994, the Corporation had claims from municipalities for grants in lieu of taxes of approximately $14.3 million (1993—$24.7 million) greater than the amount accrued in the financial statements.

(b) There are three claims against the Corporation. One claim is for an unspecified amount and the other two for amounts in excess of $18 million. In the opinion of the Corporation, the likelihood of these claims succeeding is not determinable. The effect, if any, of the ultimate resolution of these matters will be accounted for as prior period adjustment when known.

9. SUBSEQUENT EVENTS

(a) Subsequent to year end, the Corporation entered into an agreement with the Export Development Corporation, a federal Crown corporation, to borrow up to $139 million in future financing, subject to Federal Government approval. Monies would be advanced over the next two years, with repayment over ten years with a variable interest rate based on the Canadian dollar bond rate.

(b) Subsequent to year end, the Corporation entered into a commitment for the construction of equipment in the amount of $28.6 million.

VIA RAIL CANADA INC.

MANAGEMENT REPORT

The Management of the Corporation is responsible for the preparation and integrity of the financial statements contained in the Annual Report. These statements have been prepared in accordance with generally accepted accounting principles and necessarily include some amounts that are based on management's best estimates and judgement. Financial information used elsewhere in the Annual Report is consistent with that in the financial statements. Management considers that the statements present fairly the financial position of the Corporation, the results of its operations and the changes in its financial position.

To fulfill its reponsibility, the Corporation maintains systems of internal accounting controls, policies and procedures to ensure the reliability of financial information and the safeguarding of assets. The internal control systems and financial records are subject to reviews by internal auditors, the Auditor General of Canada and Raymond, Chabot, Martin, Paré, general partnership during the audit of the financial statements.

The Audit Committee of the Board of Directors, consisting solely of outside Directors, meets periodically with the internal and external auditors and with management, to review the scope of the audit and to assess reports on audit work performed. The financial statements have been reviewed and approved by the Board of Directors on the recommendation of the Audit Committee.

T.W. Ivany
President and Chief Executive Officer

J.R. Paquette
Vice-President, Planning and Finance, and Treasurer

AUDITORS' REPORT

TO THE MINISTER OF TRANSPORT

We have audited the balance sheet of VIA Rail Canada Inc. as at December 31, 1994 and the statements of operations, reconciliation to operating funding from the Government of Canada, contributed surplus, deficit and changes in financial position for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 1994 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles. As required by the *Financial Administration Act*, we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in our opinion, the transactions of the Corporation that have come to our notice during our audit of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Canada Business Corporations Act* and the articles and by-laws of the Corporation.

Raymond, Chabot, Martin, Paré
General partnership
Chartered Accountants

Montreal, Canada

L. Denis Desautels, FCA
Auditor General of Canada

Ottawa, Canada
February 10, 1995

VIA RAIL CANADA INC.—*Continued*

BALANCE SHEET AS AT DECEMBER 31
(in thousands of dollars)

	1994	1993
Current assets		
Cash and term deposits	8,406	12,017
Accounts receivable	9,758	8,211
Advance on contract (Note 5)	12,879	797
Receivable from the Government of Canada	78,928	73,226
Materials	18,568	20,209
	128,539	114,460
Long-term assets		
Cash appropriated for asset renewal (Note 3)	12,518	9,500
Investment, at cost (Note 4)	2,001	2,001
Advance on contract (Note 5)	4,121	16,485
Properties (Note 6)	643,172	670,059
	661,812	698,045
	790,351	812,505

	1994	1993
Current liabilities		
Accounts payable and accrued liabilities	102,917	102,821
Deferred revenue	4,963	5,350
	107,880	108,171
Long-term liabilities		
Network restructuring and reorganization charges (Note 7)	48,086	55,161
Deferred credits	7,482	8,303
	55,568	63,464
Shareholder's equity		
Share capital (Note 8)	9,300	9,300
Contributed surplus	682,559	707,426
Deficit	(64,956)	(75,856)
	626,903	640,870
	790,351	812,505

See accompanying notes to financial statements.

Signed on behalf of the Board,

HUGH K. SMITH, Q.C.
Director and Chairman of the Audit Committee

MARC LEFRANÇOIS
Director and Chairman of the Board

VIA RAIL CANADA INC.—*Continued*

STATEMENT OF OPERATIONS
YEAR ENDED DECEMBER 31
(in thousands of dollars)

	1994	1993
Revenue		
Passenger	163,590	154,240
Other	12,838	9,931
	176,428	164,171
Expense		
Customer services	239,312	257,652
Equipment maintenance	114,187	145,618
Marketing and sales	26,276	26,253
Support services	48,855	49,023
General and administrative	8,926	5,784
Amortization	49,381	48,396
Reorganization charges (Note 7)	19,942	13,560
Income taxes	1,718	1,713
	508,597	547,999
Excess of expenses over revenue before operating funding from the Government of Canada	332,169	383,828
Operating funding from the Government of Canada:		
Authorized (Note 11)	(321,500)	(339,800)
Not utilized	28,600	3,500
Excess of expense over revenue	39,269	47,528

See accompanying notes to financial statements.

STATEMENT OF RECONCILIATION TO OPERATING FUNDING FROM THE GOVERNMENT OF CANADA
YEAR ENDED DECEMBER 31
(in thousands of dollars)

	1994	1993
Excess of expense over revenue	(39,269)	(47,528)
Items not requiring (providing) current operating funds:		
Amortization and losses on properties	50,169	49,299
Network restructuring and reorganization charges recovery	(18,215)	(12,730)
Reorganization charges	7,364	10,985
	39,318	47,554
Operating funding surplus for the year	49	26

See accompanying notes to financial statements.

STATEMENT OF CONTRIBUTED SURPLUS
YEAR ENDED DECEMBER 31
(in thousands of dollars)

	1994	1993
Balance at beginning of the year	707,426	744,946
Capital funding from the Government of Canada	25,302	11,779
Transfer to deficit:		
Non-cash transactions on properties (1992: $46,076)	(50,169)	(49,299)
Balance at end of the year	682,559	707,426

See accompanying notes to financial statements.

STATEMENT OF DEFICIT
YEAR ENDED DECEMBER 31
(in thousands of dollars)

	1994	1993
Balance at beginning of the year	75,856	77,627
Excess of expense over revenue	39,269	47,528
Transfer from contributed surplus:		
Non-cash transactions on properties (1992: $46,076)	(50,169)	(49,299)
Balance at end of the year	64,956	75,856

See accompanying notes to financial statements.

VIA RAIL CANADA INC.—*Continued*

STATEMENT OF CHANGES IN FINANCIAL POSITION
YEAR ENDED DECEMBER 31
(in thousands of dollars)

	1994	1993
Cash provided by (used in) operating activities		
Excess of expense over revenue	(39,269)	(47,528)
Non-cash charges (credits) to operations:		
Amortization of properties	45,182	45,327
Losses on write-off, retirement and disposal of properties	4,987	3,972
Amortization of investment tax credits	(788)	(903)
Changes in assets and liabilities:		
Accounts receivable	(1,547)	(2,209)
Advance on contracts	282	(721)
Receivable from the Government of Canada	(900)	13,500
Materials	1,641	2,697
Accounts payable and accrued liabilities	(5,294)	1,625
Deferred revenue	(387)	976
Network restructuring and reorganization charges	(7,075)	(2,411)
Deferred credits	(33)	505
	(3,201)	14,830
Cash provided by (used in) financing activities		
Capital funding from the Government of Canada	25,302	11,779
Receivable from the Government of Canada	(4,802)	27,221
	20,500	39,000
Cash provided by (used in) investment activities		
Cash appropriated for asset renewal	(3,018)	(3,068)
Acquisition of properties	(25,302)	(11,779)
Advance on contract		(16,485)
Proceeds from sale of surplus properties	2,020	770
Accounts payable and accrued liabilities related to properties	5,390	(17,974)
	(20,910)	(48,536)
Cash and term deposits		
Increase (decrease) during the year	(3,611)	5,294
Balance at beginning of the year	12,017	6,723
Balance at end of the year	8,406	12,017
Represented by:		
Cash	1,141	2,726
Term deposits	7,265	9,291
	8,406	12,017

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 1994

1. Authority and objectives

VIA Rail Canada Inc. is a Crown corporation named in Part I of Schedule III to the *Financial Administration Act*. It was incorporated in 1977 under the *Canada Business Corporations Act*. The Corporation's mission is to manage and provide safe, efficient, effective and economic rail passenger services in Canada to meet the needs of the travelling public. It uses the roadway infrastructure of other railway companies which also assure the control of train operations.

The Corporation is not an agent of Her Majesty and is subject to the *Income Tax Act* (Canada) and those of certain provinces.

2. Accounting policies

These financial statements have been prepared by management in accordance with generally accepted accounting principles. The significant accounting policies followed by the Corporation are summarized as follows:

(a) Funding from the Government of Canada

Operating funding, which pertains to services, activities and other undertakings of the Corporation for the management and operation of railway passenger services in Canada, is recorded in the statement of operations. The amounts are determined on the basis of operating costs less commercial revenues excluding non-cash transactions relating to properties, certain network restructuring and reorganization charges, and are based on the operating budget approved by the Government of Canada for each year. Operating results are reconciled to operating funding in the statement of reconciliation to operating funding from the Government of Canada.

Funding to cover the costs of the network restructuring and reorganization charges is recorded as a recovery in the statement of operations in the year in which final settlements with or disbursements are made to employees or suppliers.

Funding for capital expenditures is recorded as contributed surplus on an accrual basis.

(b) Charges under train service agreements

Effective January 15, 1990, the Corporation entered into a train service agreement and other agreements with Canadian Pacific Limited for the use of tracks and train personnel, control of train operations and rolling stock maintenance. It also entered into a train service and other agreements with Canadian National Railway effective January 1, 1989, to cover services provided by the latter. Charges under these agreements are not subject to adjustment by the National Transportation Agency.

Prior to these agreements, the Corporation had an operating agreement with each of Canadian Pacific Limited and Canadian National Railway. The terms of these agreements are still in effect with respect to certain station facilities and ancillary services not yet covered by specific successor agreements. Charges under these operating agreements are subject to adjustment by the National Transportation Agency following a determination of the actual costs incurred each year, using railway costing methodology approved by the National Transportation Agency. Charges for the years 1989 to 1994 inclusive, have not been finalized.

Charges under these agreements are recorded as incurred.

VIA RAIL CANADA INC.—*Continued*

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 1994—*Continued*

(c) Materials

Materials are valued at weighted average cost.

(d) Properties

Properties acquired from Canadian National Railway and Canadian Pacific Limited at the start of operations in 1978 were recorded at the net transfer values while subsequent additions, including those acquired under capital leases, are recorded at cost.

The costs of refurbishing and rebuilding rolling stock and costs associated with other property upgrading are capitalized if they are incurred to improve the service value or extend the useful lives of the properties concerned; otherwise, costs are expensed as incurred.

(e) Amortization of properties

Amortization of properties is calculated on a straight-line basis at rates sufficient to write off the cost of properties, less their residual value, over their estimated useful lives, as follows:

Rolling stock	12 to 30 years
Maintenance buildings	25 years
Stations and Facilities	20 years
Infrastructure improvements	5 to 38 years
Leasehold improvements	5 to 20 years
Machinery and Equipment	4 to 15 years
Information systems	3 years
Other Assets	7 to 10 years

No amortization is provided for projects in progress or retired rolling stock.

(f) Leases

Properties recorded under capital leases are amortized on a straight-line basis over 20 years, which is representative of their useful lives.

Rental payments under operating leases are expensed as incurred.

(g) Income taxes

Funding from the Government of Canada provided to the Corporation to cover operating costs is determined on the basis of current needs. For this reason, income taxes are accounted for on the taxes payable basis as there is a reasonable expectation that all taxes payable in future years will be included in the Government approved formula for reimbursement and will be recoverable at that time.

(h) Deferred credits

Investment tax credits are amortized over the estimated useful lives of the related properties. The amortization of deferred investment tax credits is recorded as a reduction of the amortization of properties. Lease inducement credits are amortized over the term of the leases.

(i) Pension plans

The Corporation has defined benefit pension plans, based on retirement age, compensation and length of service, covering all its permanent employees.

The cost to the Corporation is determined by actuarial valuations which allocate to each year, the accrued portion of the benefits based on projections of employees' compensation levels to the time of their retirement, prorated on employees' years of service.

Pension expense (Note 10) includes the cost of benefits attributable to services rendered during the current year, the amortization of any unfunded liability in respect of past services and the amortization of experience gains and losses. These amortizations are calculated on a straight-line basis over the expected average remaining service lives of the active employee groups.

(j) Employee termination and special benefits

Employee termination and special benefits provided for under labour agreements and special programmes are expensed in the year in which these costs are incurred.

3. Cash appropriated for asset renewal

The Corporation has been authorized by the Treasury Board of the Government of Canada to segregate proceeds from the sale or lease of surplus assets in a manner which ensures that these funds are retained for future capital projects. The Corporation is planning to invest these funds in support of future capital requirements.

4. Investment

The Corporation owns 4 percent of the common shares of Railroad Association Insurance, Ltd. (R.A.I.L.) for the purpose of maintaining a reinsurance facility. The book value of this investment, according to the financial statements of R.A.I.L. as at November 30, 1994, was $8.9 million (1993: $8.1 million).

5. Advance on contract

The advance on contract relates to the modernization of stainless steel coaches by Canadian National Railway. The advance to Canadian National Railway will be capitalized to rolling stock on a prorata basis upon delivery and acceptance of each of the 33 cars.

VIA RAIL CANADA INC.—*Continued*

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 1994—*Continued*

6. Properties

	1994			1993		
	Cost	Accumulated Amortization	Net	Cost	Accumulated Amortization	Net
	(in millions of dollars)					
Land	4.7		4.7	4.5		4.5
Rolling stock	530.8	214.6	316.2	537.0	204.5	332.5
Maintenance buildings	216.9	75.3	141.6	216.3	67.1	149.2
Stations and Facilities	27.7	7.4	20.3	26.3	6.0	20.3
Infrastructure improvement	94.7	20.8	73.9	87.6	18.4	69.2
Leasehold improvements	83.9	42.2	41.7	78.7	37.3	41.4
Machinery and Equipment	29.4	18.2	11.2	27.9	16.3	11.6
Information systems	69.9	66.0	3.9	68.0	62.5	5.5
Other assets	23.3	20.6	2.7	22.2	19.8	2.4
	1,081.3	465.1	616.2	1,068.5	431.9	636.6
Projects in progress			23.4			29.7
Retired rolling stock (at salvage value)			3.6			3.8
			643.2			670.1

At December 31, 1994, the gross value of assets under capital leases included above was $5.9 million (1993: $6.1 million) and related accumulated amortization thereon amounted to $3.7 million (1993: $3.6 million).

Projects in progress primarily consist of rolling stock modernization and station improvement projects.

7. Network restructuring and reorganization charges

The Corporation approved plans for the restructuring of its transportation network on October 4, 1989 as well as management reorganizations in November 1993 and October 1994. The major costs related to these plans were:

(a) severance payments and employment security benefits governed by labour agreements and special programmes which may extend over several years;

(b) surplus properties that have been written down to their estimated salvage value and are being disposed of; and

(c) lease cancellation penalties, materials devaluation and other costs.

At December 31, 1994, a provision of $68.8 million (1993: $71.9 million) has been recorded to provide for the on-going costs of the network restructuring and reorganizations.

8. Share capital

The authorized share capital of the Corporation is comprised of an unlimited number of common shares of no par value. As at December 31, 1994 and 1993, 93,000 shares at $100 per share are issued and fully paid.

VIA RAIL CANADA INC.—*Concluded*

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 1994—*Concluded*

9. Commitments

(a) The future minimum rental payments relating to operating leases mainly for real estate, computer equipment and services are as follows:

	(in millions of dollars)
1995	8.8
1996	7.3
1997	7.3
1998	7.4
1999	7.8
Subsequent years up to 2034	234.8
	273.4

(b) As at December 31, 1994, the Corporation has outstanding commitments amounting to $52.4 million (1993: $51.7 million), of which $17 million has been paid as an advance on contract, mainly in respect of upgrading rolling stock and equipment.

10. Pension plans

The latest actuarial valuations of the pension plans were carried out as at December 31, 1993 by external actuaries who are members of the Canadian Institute of Actuaries. Based on these valuations and actuarial projections made for 1994, the accumulated plan benefits as at December 31, 1994 are $819.0 million. The net assets available to provide for these benefits at actuarial adjusted market values as at that date amount to $839.4 million.

Using the method identified in the pension plans accounting policy (Note 2 i), the pension expense for 1994 was $8.0 million (1993: $18.7 million) and included amortization of past service costs and experience gains and losses.

11. Related party transactions

The Government of Canada authorized operating payments to the Corporation of $321.5 million (1993: $339.8 million) and capital funding of $47.6 million (1993: $40.2 million) for 1994. Primarily as a result of expenditures being less than budget, the Corporation's funding requirements were as follows:

	1994	1993
	(in millions of dollars)	
Funding from the Government of Canada:		
Operating funding	274.7	323.6
Network restructuring and reorganization charges recovery	18.2	12.7
Total Operating funding utilized	292.9	336.3
Capital funding utilized	25.3	11.8
	318.2	348.1

In the normal course of business, transactions with other Crown corporations amounted to:

	1994	1993
	(in millions of dollars)	
Revenue	6.7	6.2
Operating expenses	71.0	74.7
Capital expenditures	19.3	2.2
Balance payable (receivable) at the end of the year	3.1	(1.3)

In addition to these related party transactions and those disclosed elsewhere in the financial statements, the Corporation is related in terms of common ownership, to all Government of Canada created departments and agencies. The Corporation enters into transactions with these entities in the normal course of business.

12. Contingencies

In the ordinary course of business, various claims and lawsuits have been brought against the Corporation and it is the opinion of management that the settlement of these actions will not result in any material liabilities to the Corporation beyond any amounts already provided. The Corporation's collective agreements expired on December 31, 1993 and are currently under negotiation. Numerous grievances have also been filed against the Corporation, the outcome of which is not determinable nor quantifiable at this time. The outcome of these contingencies will be allocated to operations in the year in which it occurs.